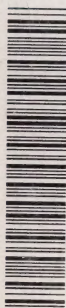


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Department of Labour, Canada

COMBINES INVESTIGATION ACT

INVESTIGATION INTO
AN ALLEGED COMBINE
IN THE
IMPORTATION AND DISTRIBUTION
OF
BRITISH ANTHRACITE COAL
IN CANADA

Report of Registrar

April 21, 1933

OTTAWA
J. O. PATENAUDE, I.S.O.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1936

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Department of Labour, Canada

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OTTAWA, March 10, 1936.

Hon. NORMAN McL. ROGERS,
Minister of Labour,
Ottawa.

SIR,—I have the honour to transmit herewith at your request a report, made in April, 1933, to the former Minister of Labour, on an investigation under the Combines Investigation Act into an alleged combine in the importation and distribution of British anthracite coal in Canada.

You will observe that certain tables in the report have been supplemented by figures covering the years 1933, 1934 and 1935.

Yours faithfully,

F. A. MCGREGOR,

Registrar, Combines Investigation Act.

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OTTAWA, April 21, 1933.

The Honourable W. A. GORDON,
Minister of Labour,
Ottawa.

SIR,—I have the honour to submit to you the following report on an investigation which I have made under the Combines Investigation Act into an alleged combine in the importation and distribution of British anthracite coal in Canada. The inquiry was made in pursuance of instructions received from you on November 10, 1932, in the following terms:—

“Pursuant to the provisions of Section 12 of the Combines Investigation Act, I hereby direct you to cause an inquiry to be made into an alleged combine in the importation and distribution of British anthracite coal in Canada, and into all such matters, whether of fact or of law, with respect to the said alleged combine as you shall consider necessary to inquire into with the view of determining whether such a combine exists or is being formed.”

In the course of the inquiry seventy-one witnesses were examined under oath in sessions held at Montreal, Toronto, Quebec and Ottawa, the chief centres of distribution of British anthracite coal. At the conclusion of the hearings, argument was made by counsel representing the principal importers and wholesale distributors. In all forty-four days were occupied in the hearing of evidence and argument. The hearings were conducted in private, in accordance with the provisions of Section 25 of the Combines Investigation Act. Witnesses examined included not only a wide representation of importers, wholesalers and retailers of British anthracite but also distributors of American anthracite coal and representatives of the principal British exporting companies. Contracts, correspondence and financial records of the largest importers of both Welsh and Scotch coal were examined. Supplementary evidence in the form of briefs was received from principals in the trade including both Canadian importers and British exporters. Retailers at selected points in Ontario and Quebec were required to furnish certain information in response to a questionnaire. The operations of retail coal dealers' associations at several principal points in Quebec and Ontario were investigated. Other information was received from the Dominion Fuel Board, the Harbour Commissions of Montreal, Quebec, Toronto, Halifax and Saint John as well as from other sources.

In view of the numerous and widespread expressions of public concern during the past winter on the subject of coal prices, this report sets forth the information obtained in this investigation in greater detail than in most of our reports of investigations under this Act.

Adequate acknowledgment cannot be made of all the assistance which has been received throughout this inquiry and in the preparation of the present report. The co-operation of Mr. Gregor Barclay, K.C., who was appointed by the Minister of Justice to act as counsel in the case, has been of the greatest possible value. The firm of A. A. Crawley and Company, chartered accountants, has rendered particularly efficient service in the examination of the books and other financial records of the principal importers and in the preparation of special statements required during the investigation.

I. INTRODUCTION

In reviewing briefly the circumstances responsible for the institution of the inquiry into an alleged combine in the importation and distribution of British anthracite in Canada, attention may first be directed to the basic fact that the trend of anthracite prices in recent years has failed to conform, except in limited degree, to the broad course of commodity prices. Since the autumn of 1929 the general price level has fallen drastically. The same period has witnessed only a minor recession of anthracite prices. As regards both retail and wholesale prices anthracite has in large measure escaped the experience of other commodities. That fact, alone, could scarcely fail to excite concern on the part of the consuming public of any area where, as in Eastern Canada, a large portion of the population is inclined to look upon anthracite as its first reliance, and upon other fuels as substitutes, for purposes of domestic heating.

As regards retail prices—that section of the price structure with which the ultimate consumer is most familiar and chiefly concerned—the index numbers compiled by the Department of Labour to indicate the changes in the cost of living in Canada afford a ready though not wholly adequate means of illustrating the sharp contrast between the decline of anthracite prices and those of other products. Taking these index numbers as calculated for different items of living costs, it appears that, between September of 1929 and the same month of 1932, there was a reduction in the cost of foods of approximately 40 per cent, of 25 per cent in clothing costs, and of 20 per cent in the cost of 'all items.' The index for the 'fuel and light' group—which includes anthracite as one of the principal items—indicates a price decline during the same period of less than 6 per cent. This contrast is placed in clearer light by quoting the list prices for different kinds of anthracite as furnished by a leading dealer in Ottawa, one of the consuming centres where public interest in anthracite prices manifested itself most actively during the late summer and early autumn of 1932.

ANTHRACITE RETAIL PRICES PER TON¹—OTTAWA (cash prices)

	Welsh Cobbles	Scotch Cobbles	Pennsylvania Stove
Sept. 1929.....	\$ 17.50	\$ 17.50	\$ 15.75
" 1930.....	17.50	17.50	15.75
" 1931.....	17.50	17.50	16.00
" 1932.....	16.75	16.75	15.75

It will be observed that during the three-year period when commodities in general were experiencing a severe price decline, the costs of anthracite to the public at one of the principal consuming centres of Eastern Canada remained highly rigid. For British anthracite the reduction was but slightly in excess of 4 per cent, while the price of Pennsylvania anthracite remained stationary. If the latter, however, be credited with the amount of customs duty which is now imposed but which did not apply in 1929 or 1930, it may fairly be said that the three different anthracites made a substantially similar showing as regards price reduction to the Ottawa consumer during the period 1929-32. In all three cases the reduction was wholly out of accord with what was taking place in respect to other commodities.

¹ In tables throughout this report tons are short tons (2,000 lbs.) unless otherwise indicated as long or gross tons (2,240 lbs.)

At Montreal, where competitive factors are distinctly different from those prevailing at Ottawa, the downward trend of anthracite prices was somewhat more pronounced, and particular attention may be drawn to the fact that the price premium formerly enjoyed by British anthracite as compared with American, has disappeared.

ANTHRACITE RETAIL PRICES PER TON—MONTREAL

	Welsh Cobbles	Scotch Cobbles	Pennsylvania Stove
Sept. 1929.....	\$ 16.50	\$ 16.50	\$ 15.75
" 1930.....	16.75	17.00	16.25
" 1931.....	16.50	16.50	16.25
" 1932.....	14.50	15.00	15.25

The foregoing figures are quotations taken from the circular price lists of representative Montreal dealers. Comparing the prices for September of 1932 with those prevailing three years earlier, a reduction of approximately 12 per cent appears in the case of Welsh coal, of 9 per cent in that of Scotch and, as regards Pennsylvania coal, a reduction of 6 per cent if credit be given not only for the actual fall in price but also for the customs duty paid since June of 1931.

It is sufficiently obvious, without pausing at this stage to examine the details of anthracite prices at points other than Ottawa and Montreal, that public concern regarding the height and rigidity of those prices was well justified. But it is equally obvious that the facts in the case—so far as they relate to the recent course of consumer prices—would normally have warranted fully as keen interest in the conditions responsible for the stability of Pennsylvania coal prices as in those affecting the level of prices for British anthracite. Other factors intervened, however, to focus the desire and the demand for investigation exclusively upon the trade in British coal—that is, upon the importation and distribution of anthracite from the Welsh and Scottish sources of supply.

Discussion of the anthracite situation, as carried on mainly through the medium of the press during the late summer and the autumn of 1932, revealed three different considerations which appear to have been chiefly instrumental in crystallizing public opinion and in concentrating interest upon British anthracite. First, the bald comparison of retail prices for British coal in Canada with the values as entered in the British Government export records or in other official trade returns, left the impression that the spread or margin was too great to be accounted for except by the intervention of extraordinary costs or profits somewhere along the line of the importing or subsequent distributing operations. Secondly, arising out of the exchange situation, there was a widespread feeling that the reduction of British anthracite prices to the Canadian consumer had not been at all commensurate with the saving that had apparently been made possible in the importers' costs through the discount on the pound sterling. During the last quarter of 1931, sterling had been at a substantial discount in terms of the Canadian dollar, but that situation had developed only toward the close of the shipping season for British anthracite exports to Canada. But, during 1932, without interruption, the Canadian dollar commanded a heavy premium over the pound sterling. Sterling quotations at Montreal, as published by the Dominion Bureau of Statistics, were as follows:—

STERLING QUOTATIONS AT MONTREAL—1932 (1)

(MONTHLY AVERAGES)

	1932	1933	1934	1935
January..	\$4.028	[\$3.847	\$5.070	\$4.887
February..	3.959	4.099	5.078	4.883
March..	4.064	4.134	5.107	4.825
April..	4.173	4.234	5.148	4.862
May..	4.157	4.498	5.100	4.935
June..	4.205	4.615	5.012	4.943
July..	4.087	4.931	4.985	4.967
August..	3.975	4.787	4.951	4.993
September..	3.847	4.839	4.885	4.970
October..	3.723	4.787	4.843	4.978
November..	3.760	5.082	4.872	4.978
December..	3.787	5.096	4.887	4.996
Average..	3.979	4.586	4.993	4.933]

According to these figures the average discount on sterling for the year amounted to approximately 18 per cent—a discount of such extent as to give a very important buying advantage to the Canadian importer and to cause, inevitably, real anxiety on the part of the public to be assured that the saving was being passed on to the ultimate consumer.

Thirdly—but of primary significance in relation to the present inquiry—public discussion of anthracite prices touched the question of the existence of a combine in respect to the importation and distribution of British anthracite in Canada. This issue came to the fore both in Parliament and in the press. Following the introduction of the subject in the Senate in October, the Dominion Fuel Board conducted an investigation and submitted to the Minister of Mines a report covering the export prices of British anthracite, the ocean freight costs, the wholesale and retail prices in Canada, the handling, preparation and other charges incurred in the various processes of distribution, and the spreads or margins accruing to the importer, wholesaler and retailer respectively. It was further submitted, however, that the Dominion Fuel Board was not vested with such authority as would enable it to conduct an investigation of the nature essential to determine the existence or non-existence of a combine, and the present inquiry, for that specific purpose, was undertaken in pursuance of the direction of the Minister of Labour.

(1) The figures in italics have been added in printing this report in 1936. Additions have been made similarly to five other tables, appearing at pages 14, 15, 20, 21 and 81.

II. THE DEVELOPMENT OF BRITISH ANTHRACITE TRADE IN CANADA

To place in proper perspective the present and recent situation as regards the importation of British anthracite into Canada, it is essential to sketch the background of circumstances under which British anthracite has advanced from a position of negligible interest to one of first importance to a large portion of the anthracite-consuming area of Eastern Canada.

This change in the status of British anthracite as a factor in the Canadian market has occurred almost entirely within the last ten years. Prior to that period Pennsylvania anthracite had held virtually complete control of the Canadian market for hard coal. The sharp ascent of prices during the war and the early post-war periods, coupled with the effects of a prolonged stoppage in the Pennsylvania fields during the strike of 1922 and with the threat of a further stoppage in the following year, compelled the Canadian public to give serious study to the whole fuel situation of Canada—particularly to the problem of obtaining regular and ample supplies of domestic fuels of satisfactory quality, at acceptable prices. Welsh anthracite, in comparatively small volume, was introduced as a relief fuel to cope with the shortage of Pennsylvania supplies in 1922. In the inquiries carried on during 1922, 1923 and succeeding years by provincial and federal fuel controllers, by Committees of the House of Commons and the Senate, and by the Dominion Fuel Board, the question of turning to British anthracite as a permanent source of Canadian supply was carefully explored.

The evidence assembled at that time held out very limited encouragement in respect to the extent to which Canada might expect to obtain anthracite supplies from Great Britain. Certainly, there was no anticipation whatever that British anthracite could enter the Canadian market and compete with Pennsylvania hard coal to the extent that has been the case in late years. The excellent quality of Welsh coal was recognized, but it was felt that the total production of the Welsh fields was so limited, that their European outlets were so well established, and that Pennsylvania anthracite was so strongly entrenched in the Canadian market that the volume of Welsh supplies likely to enter the Dominion would be relatively small. In the Parliamentary inquiries of 1922, 1923 and 1926, Scotch anthracite, which in late years has become a substantial element in the domestic fuel supplies of Canada, was accorded only the briefest consideration as a potential factor in the Canadian market. Having regard to the remarkable way in which the importation of both Welsh and Scotch anthracite has since been expanded, and having regard also to the close scrutiny to which the present inquiry has subjected the business relations and activities of those who have been largely responsible for that growth, it is but fair to place on record some of the evidence that serves to indicate the light in which the importation of British anthracite was viewed by those who were called upon not many years ago to give their most serious study to the solution of Eastern Canada's domestic fuel problem.

In that connection the following extract from a memorandum placed before a Special Committee of the Senate of Canada in March 1923, by the Fuel Controller of Ontario, is illuminating:—

"Another proposition, and to my mind the most feasible one, is the importation of Welsh anthracite coal.... Unfortunately the coal which Wales could send us would be largely bituminous coal. Wales produces about 250,000,000 of bituminous coal and only about 5,000,000 tons of anthracite. There is already a market for a very considerable amount of this anthracite, and when it is remembered that Canada uses nearly

five million tons of anthracite each year, it is too much to hope that Wales could let us have all the anthracite we need. In addition when there is a full supply of American anthracite it would be difficult for the Welsh coal to compete with it in price. Even if it did, I am inclined to think that the large mine owners in the States would cut the price of American anthracite in order to keep out the Welsh coal. Welsh anthracite is more brittle than American, and the loss from breakage and screening will add to the retail price of this coal.

"In my opinion and I have used it in my own house, Welsh anthracite is better than American anthracite. It has much less ash and a greater heating quality. It is practically free from stone and slate. During this winter the quality of American anthracite has been pretty poor. There have been much larger quantities of slate and stone this year. In some cases so called American anthracite purchased from brokers, unseen and cash in advance, has been absolutely worthless, being composed entirely of stone and slate and in some cases bone. In my opinion, Welsh anthracite is worth at least \$3 per ton more than American anthracite."

It will be observed that, in this reference to potential sources of anthracite supply in Wales, special emphasis was laid upon the limitation of Welsh resources and upon the difficulty of meeting American competition in Canada. Further evidence, given at the same time by the Fuel Controller of Ontario during the course of examination by members of the Senate Committee, threw additional and very significant light upon the problem of introducing British anthracite upon any considerable scale into Canada, and suggested more explicitly the nature of the obstacles which would have to be overcome. The primary difficulty would be to induce Canadian consumers to turn from a fuel to which they were well accustomed to one with which they were wholly unfamiliar. Speaking of the experience of the dealers who had handled Welsh coal during the shortage occasioned by the strike of 1922, the Fuel Controller of Ontario stated:—

"The dealers in Ottawa imported fifteen thousand tons of Welsh coal. They had ordered more, but on account of the prejudice against it, and to some extent because of the price, they had to cancel some of their orders, and the people got less than they ought to have got. People would not take it, and the only way the dealers could handle the situation was to say: 'You will take half a ton of Welsh anthracite with your order, or you can't get any'."

A second problem to which the same authority drew attention was that of inducing Canadian dealers to handle Welsh coal and to give it the necessary merchandising support to enable it to make headway. On this point it was intimated that there would be a real reluctance upon the part of the dealers, who had good connections for obtaining American anthracite, to jeopardize those connections by entering into the retailing of Welsh coal. To quote:—

"We issued instructions, and so did the Federal Advisory Committee, as to how to use different substitutes. But you have the same difficulty with regard to coke that there is with regard to handling Welsh anthracite. I am speaking of handling alone. I doubt if you could get the dealers to handle it; that is, the dealers who are at present handling American anthracite. My expectation is that those dealers, where there is the usual supply of American anthracite, will have to handle American anthracite almost exclusively, or they will not get it."

The Fuel Controller went so far as to express the view that, unless independent dealers—that is, dealers other than those who handled American anthracite—could be induced to take up the trade in Welsh coal, the only feasible method of extending its use in Canada would be the active participation of municipal authorities in its import and distribution.

During the same year, 1923, the Select Standing Committee on Mines and Minerals of the House of Commons conducted a similar inquiry, in pursuance of the following resolution referred to it by the House:—

"That, in the opinion of this House, the time has arrived for Canada to have a National Policy in relation to its coal supply and that no part of Canada should be left dependent on a United States coal supply. And that the whole question of fuel supply for Canada, together with the question of costs, transportation, desirable interprovincial action and other means whereby Canada may be self-sustaining and self-supplying as regards fuel and to inquire into the necessity and possibility of supplying substitutes for coal be referred to the Standing Committee on Mines and Minerals and that said Committee report to the House."

It should be noted that, although the treatment accorded to Canada by the United States Fuel Control Board during the critical period of 1922-23 was admitted to have been most fair and generous, such keen apprehension prevailed at that time with respect to the future fuel supplies of Canada that the resolution, quoted above, took the ground that "no part of Canada should be left dependent on a United States coal supply." Among the witnesses examined by the Committee was Mr. F. L. Wanklyn, an executive officer of the Canadian Pacific Railway who had been appointed as one of the two members representing the Province of Quebec on the Federal Fuel Advisory Committee at Ottawa. Mr. Wanklyn presented a memorandum in which were embodied several suggestions or recommendations as to how the fuel situation of Canada could be improved. Of these recommendations, one had reference particularly to Welsh anthracite and was stated in the following terms:

"Encourage importation of high grade anthracite coal from Wales, having superior analysis to any American anthracite sold in this country, properly manufactured 'briquettes,' 'stovoids' or 'ovoids' made from Welsh anthracite coal dust and brise—all of which should be delivered to consumers at a lower price per ton than is now charged for American hard coal and can be satisfactorily used in ordinary house furnaces."

During the course of examination it was made clear by Mr. Wanklyn that there was no question in his mind as to the quality of Welsh anthracite, but that there would be a real problem to be dealt with in inducing producers and exporters of Welsh coal to interest themselves in the Canadian market in such a way as to result in the building up of a substantial trade. Quoting from evidence taken on that point:

"My opinion is that if you can get the Welsh exporters of coal to establish and continue a steady market here in Canada, that it would be to our advantage, but it will not be to our advantage if they are going to do it in spasms, if they are coming here one year and not the next year; you cannot afford to cut off the supply from the United States until you have the other one established on a permanent basis. The difficulty is going to be to induce these people to come out here and treat their coal and submit it to the consumer in the size he has been accustomed to use, and to get also the necessary machinery to make it a paying proposition."

Quoting further, from the evidence of the same witness:

"I may say that I have been in communication with coal operators in Wales, trying to get them to establish proper plants in Montreal and to handle the thing as their own particular business, and I got a letter just by the last mail from England in which they said the matter was still under consideration by their directors, but they wished to call my attention to the fact that owing to the conditions in the Ruhr district, most of their output was being taken care of there, and their prices were materially advancing, so it is only a limited supply and we can not expect to get all of it."

The present significance of these statements lies largely in the fact that, during that period of stringency in American anthracite supplies, the matter of securing for Canada any substantial volume of Welsh coal was so foreign to the ordinary course of coal trade, as then organized, that it was necessary for those who were charged with dealing with the fuel crisis to take steps, on their own initiative, toward inducing Welsh producers to enter the Canadian market. There was no question in the minds of those who had to do with obtaining coal supplies for Ontario and Quebec as to the desirability of importing Welsh coal—the problem that gave them real concern was that of whether the prospects of such trade would prove sufficiently attractive to command the active attention and enterprise of British and Canadian business interests.

Before leaving this phase of the subject, one further item of official evidence or opinion may be cited by reason of the concise and vivid way in which it describes the compelling character of the circumstances that induced Canadian authorities to give serious consideration to the possibility of getting regular supplies of anthracite from Great Britain. The first report of the Dominion Fuel Board, issued in 1923, gave an admirable outline of Canada's situation with respect to coal as it then appeared, and the light in which the Board viewed

the problem with regard to domestic fuel supplies is tersely indicated in the following excerpt from the report:

"Two years ago the United States Bureau of Mines unofficially warned the Canadian Department of Mines that within a very short time Canada would have to work out her own solution for replacing the anthracite now imported from the United States. No less than three bills were recently before the United States Congress to place an embargo on the export of anthracite to Canada. They did not pass, but the fact that they were introduced indicates the drift of public sentiment. This contingency ever hangs above us like a sword of Damocles, and the Board considers it of the utmost importance that the use of coals of domestic origin should be most widely extended and that other native fuels should be more fully developed so that the sources of our fuel supply may be widened and diversified."

The Growth of British Anthracite Imports

The decade that has intervened since the critical period of 1922-23 has wrought changes in the domestic fuel supply and consumption of Eastern Canada that were wholly unforeseen at the time of the investigations by the Committees of the Senate and the House of Commons, or at the time when the initial report of the Dominion Fuel Board was issued. The most notable change has been that arising out of the rapid growth in the importation of British anthracite, from the Scottish as well as from the Welsh fields. Notwithstanding the many and grave difficulties visualized by those who had had occasion to consider the possibilities of that trade ten years ago, British anthracite has become a foremost household fuel in most of the main consuming centres of Eastern Canada as well as in many smaller communities.

The statistical record of Canada's anthracite imports from all countries presents the volume phase of this growth in a form that requires little elabora-

CANADA'S IMPORTS OF ANTHRACITE COAL¹

Years ended Mar. 31	Total Imports	United Kingdom	United States	Netherlands	Germany	Russia	Other Countries
	Tons	Tons	Tons	Tons	Tons	Tons	Tons
1910	3,152,851	38,991	3,113,860				
1911	3,465,774	31,375	3,434,399				
1912	4,118,379	33,972	4,084,407				
1913	4,237,310	28,680	4,208,630				
1914	4,385,799	33,909	4,351,833				57
1915	4,383,407	27,114	4,356,268				25
1916	4,429,143	2,859	4,426,279				5
1917	4,572,440	1,049	4,571,391				
1918	5,256,294	3,280	5,253,014				
1919	4,752,788	111	4,752,677				
1920	5,090,767		5,090,767				
1921	4,839,559		4,839,559				
1922	4,416,255	110	4,415,921				224
1923	3,162,113	247,833	2,913,054				1,226
1924	4,849,372	205,848	4,643,524				
1925	4,133,675	299,061	3,834,054				560
1926	3,262,631	654,553	2,584,678		23,400		
1927	4,376,668	178,360	4,134,188	37,802	26,318		
1928	4,168,526	780,321	3,378,232	5,155	4,818		
1929	3,882,418	552,974	3,312,093	1,102		15,920	329
1930	4,136,399	786,530	3,235,032			114,724	113
1931	3,946,987	918,252	2,731,862			284,271	1,112
1932	3,022,519	886,938	2,069,577				5,242
1933	3,053,812	1,451,614	1,549,309		60,762		700
1934	3,125,307	1,576,562	1,548,737		52,189		8
1935	3,406,643	1,577,543	1,739,434		72,103		17,563a

¹ Exclusive of "anthracite screenings and dust" after June 1, 1931.
a Including 17,557 tons from Belgium.

tion. For several years prior to the war British anthracite was regularly entering Canada in minor but fairly stable volume. During the war period that movement declined sharply, and disappeared in the immediate post-war years. The crises created in 1922-23 by conditions in the Pennsylvania fields brought an abrupt revival of the trade, recalling British coal to the Canadian market on a much greater scale than had been the case in pre-war days; and, excepting the setback suffered by reason of the British coal-miners' strike of 1926, British anthracite has since been improving its position as a factor in Canada's fuel supply. Within a very short term of years it has advanced from the status of a literally zero quantity to that of having comprised nearly 28 per cent of the Dominion's total anthracite imports in the calendar year 1931, and more than 44 per cent in the calendar year 1932. The following table brings out clearly the degree to which Canada's former dependence upon one source of anthracite supply has yielded to a new order.

CANADA'S ANTHRACITE IMPORTS BY CALENDAR YEARS

(All anthracite coal, including screenings and dust)

Years ended Dec. 31	From			Total	Percentage of total from		
	United Kingdom	United States	Other Countries		United Kingdom	United States	Other Countries
	Tons	Tons	Tons	Tons	%	%	%
1922	183,012	2,515,014	1,226	2,699,252	6.78	93.17	0.05
1923	261,675	4,903,707	.....	5,165,382	5.07	94.93	.....
1924	273,277	3,878,721	560	4,152,558	6.58	93.40	0.01
1925	557,259	3,255,298	.....	3,782,557	14.73	82.27	.....
1926	273,055	3,831,844	87,520	4,192,419	6.51	91.40	2.09
1927	798,281	3,299,600	9,973	4,107,854	19.43	80.32	0.24
1928	529,240	3,211,941	7,635	3,748,816	14.12	85.68	0.20
1929	729,456	3,172,942	117,519	4,019,917	18.15	78.93	2.92
1930	996,127	2,955,954	304,009	4,256,090	23.40	69.45	7.14
1931	876,364	2,220,599	65,354	3,162,317	27.71	70.22	2.07
1932	1,395,679	1,699,684	53,539	3,148,902	44.32	53.98	1.70
1933	1,603,071	1,412,492	8	3,015,571	53.16	46.84	0.00
1934	1,643,501	1,767,396	89,666	3,500,563	46.95	50.49	2.56
1935	1,457,806	1,689,810	295,219	3,442,835	42.34	49.08	8.58

The Extent of British Anthracite Distribution in Canada

The increasing diffusion of British coal within the Dominion, as distinct from the sheer growth in the volume of imports, is less readily followed. The trade is founded upon water transportation. The Maritime Provinces, open the year round to ocean shipping, have shared in the increased importation, although the Maritime consumer is not wedded to the use of anthracite for domestic heating to the extent that applies and has prevailed for many years in regard to the consumer in Quebec and Ontario. The Great Lakes-St. Lawrence waterway has furnished the route, and its immediate or adjacent markets the outlet, for the bulk of the British anthracite movement. Montreal, Quebec and Toronto are the principal points of importation and wholesale distribution, and, with the addition of Ottawa, they constitute also the main centres of consumption. Kingston, Oshawa, Hamilton, Rondeau Harbour, Sault Ste. Marie and Fort William are included in the list of lake ports receiving substantial shipments of Welsh or Scotch coal during the navigation season of 1932. Close to 90 per cent of the total Canadian imports of British anthracite in recent years are accounted for by the receipts at the ports of Montreal and Quebec.

Montreal, alone, receives four-fifths or more of the aggregate. The movement west of Montreal by water, to Toronto and other lake ports, amounted to roundly 225,000 tons in 1932, of which the Port of Toronto received 190,000 tons. The receipts by water at Toronto have risen rapidly, increasing from 30,000 tons in 1928 to 70,000, 95,000, 131,000, and 190,000 tons respectively in each of the succeeding years. In addition, during the greater part of 1932 a substantial rail movement of British anthracite from Montreal to Toronto resulted from the concession of a special railway freight rate to meet the competition of vessel freights.

Thus, using the St. Lawrence-Great Lakes waterway as its main line of communication, the commerce in British anthracite now possesses three important centres for the receipt and discharge of cargoes, as well as for the screening and sizing of the coal and for the business of wholesale distribution which, in this trade, are allied with the functions of the importer. Quebec City, to the east, receives and distributes a considerable tonnage. Toronto, to the west, taps perhaps the largest anthracite-consuming area in the Dominion, with American anthracite still dominant. Between the two, Montreal stands as the chief base of operations, receiving the bulk of the imports (more than 1,100,000 tons in 1932) and serving the territory in which the use of British coal has become most widely and most firmly established. From these three bases British coal moves inland by rail, governed in the range of its distribution by its ability to meet the competition of Pennsylvania hard coal or of other alternative fuels such as coke and the "smokeless" bituminous coals. Its greatest headway along the St. Lawrence-Great Lakes waterway has been made in those areas where, as in the Province of Quebec, Eastern Ontario and the Ottawa Valley, Pennsylvania anthracite carries the charges of a long rail haul, its least where, as in Southwestern Ontario, Pennsylvania coal enjoys the advantage of a relatively short haul and substantially lower freight costs. During 1932, assisted by a reduction of rail rates from Toronto, British coal became a decidedly more active competitive factor in the populous region west and north of Toronto.

While the total quantity of anthracite used in Nova Scotia, New Brunswick and Prince Edward Island appears small in comparison with the consumption of Quebec and Ontario, the figures for the imports during the calendar year 1932 indicate how strongly British anthracite has gained hold upon the Maritime market. The imports through Nova Scotia ports of entry amounted to roundly 43,000 tons of British anthracite as contrasted with 10,000 tons of American. The New Brunswick tonnage included 78,000 British and 30,000 American, and that of Prince Edward Island nearly 4,000 British and 2,000 American. For the three provinces combined, the imports of British anthracite were equivalent to virtually three times the volume of the imports from the United States. That ratio, however, is not to be looked upon as an index to the character of Maritime anthracite consumption, since much of the British coal landed at Maritime ports of entry is forwarded by rail to Montreal or to other portions of the Quebec market.

Advantages and Disadvantages Met by British Anthracite in Canada

From the foregoing sketch of the growth of Canada's imports of British anthracite two points, in particular, stand out. The first is the sheer volume of the increase that has taken place. The other is the fact that, within the term of a few years, British coal has attained a range of distribution in the Canadian market almost as wide as that of its long-entrenched United States competitor. It is no doubt true that, over considerable areas, the sales of British coal are spotty or very thinly spread, but the extent of the territory in which British competition has made itself a factor of real importance is one of the most remarkable features in the development of this trade.

The impressive rapidity with which British anthracite has made headway in Canada—both in volume and in width of distribution—is hardly to be regarded as having belied the misgivings of those who foresaw such grave obstacles in its path. The progress of the trade has not been achieved without having been beset by most of the trials and troubles that were foreseen and, also, by some that were not. But it has encountered pronounced advantages as well as disadvantages. The latter include the various difficulties to which reference has already been made, some on this side of the Atlantic, some on the other. In the first instance, the British producers and exporters were not organized in a manner that lent itself to effective entry into the Canadian market—were diffident with regard to the possibility of assembling cargoes and making shipment of coal in the quantity considered essential by prospective Canadian importers if the trade were to be embarked upon as a permanent and steady source of supply. Shipments had to be concentrated during the summer months instead of being spread out through the year in correspondence with the mine output. The winter closing of St. Lawrence navigation meant that the exporter had to accommodate himself to a short season. It meant, too, that the importer had to receive and store a large stock of coal considerably in advance of the fall and winter demand, incurring heavy investments and storage costs—from which the importation of Pennsylvania anthracite is freed by reason of the fact that, under normal conditions, supplies can be obtained quickly and on short notice by rail shipment from the Pennsylvania mines, at any period of the year. The quality of British coal introduced another series of problems. Part of the earlier difficulties may have been due to the shipment of inferior coals, some of them not true anthracites, but the main handicap arose from the friability of virtually all British anthracite, both Welsh and Scotch. That characteristic of British coals saddled the importers with heavy charges in connection with preparing the coal, after arrival, for distribution to retail dealers, and it involved also the actual loss of a large tonnage annually that could not be disposed of as domestic fuel. This handicap of degradation, which is inseparable from the handling of British anthracite, becomes in the ordinary course of distribution a problem for the retailer and for the consumer as well as for the importer. Viewed in all its effects, it may be set down as having constituted the foremost difficulty in the way of extending the use of British anthracite in Canada. It is a factor that is always present, one that is never disposed of finally.

Of the further barriers that faced and were surmounted in the development of the trade, the most troublesome appears to have been the general difficulty of securing for Welsh and Scotch coal the essential groundwork of strong commercial connections and goodwill—connections, first, between British producers or exporters and Canadian importers, then between the importers or wholesalers and the ranks of the retail trade, and, finally, with the consuming public. It was natural that indifference toward British coal should crop up at various points along the line of coal distribution. Both the wholesale and the retail trade had long been thoroughly organized for the purpose of handling Pennsylvania anthracite, and the consumer had equally long been accustomed to its use. Once the actual shortage of American supplies had been remedied, the chief incentive for the consumer to turn to a new fuel lost weight, helped to some extent by the irregular quality of earlier Welsh shipments. The retailer had still less reason to make a change. His yard, representing in many cases a heavy capital investment, had been located and equipped primarily to handle Pennsylvania coal. Degradation, a minor problem with respect to Pennsylvania anthracite, became a real cost item to the retailer dealing in British coal, as well as a potential cause of complaint from customers. The larger Canadian wholesaler, possessing a valuable connection with one or other of the strong American 'line' companies, might well hesitate to endanger that connection or

to divert his energy and capital to the more complex business of British coal importation, involving the use of dock facilities, the accumulation and storage of heavy stocks during the shipping season, and the provision of equipment for preparing a type of coal that is subject to high degradation losses. With these and other difficulties to be overcome, the advance of British anthracite trade in Canada traversed a much rougher road than the quickly-rising import statistics alone suggest; and substantial losses were sustained by the British exporters, or by their Canadian associates, during the pioneer period.

On the other side of the picture there were advantages of one form or another, sufficient in the aggregate to outweigh the obstacles. Full credit may and should be given to the tenacity and resourcefulness of the commercial interests on both sides of the Atlantic that persevered, despite early losses and discouragements, in the effort to improve and enlarge the trade. Low ocean freight rates permitted British coal to be transported to a considerable section of the Canadian market more cheaply than coal could be carried by rail from the Pennsylvania fields. Wheat from Canada and coal from Great Britain afforded the advantage of a large tonnage of bulk freight in both directions across the Atlantic. The movements toward amalgamation or joint selling arrangements in Great Britain reduced the problems attendant upon the assembly of cargoes for Canadian shipment. The quality of British coal, once it reached the consumer in well-prepared form, rapidly asserted itself, and both Welsh and Scotch readily commanded a price premium as compared with Pennsylvania coal. Especially important was the introduction and increase of the use of blowers, creating a heavy demand for Welsh buckwheats which are pre-eminently suitable for blower use. Government aid and encouragement took various forms. The Dominion Fuel Board welcomed with steady support a development which served materially to diversify the sources of supply for what had come to be known as Canada's 'acute fuel area.' The embargo on Russian anthracite, and the imposition of a customs duty on American, had the effect of reinforcing the competitive strength of Welsh and Scotch coals. A negative advantage, but one which should not escape notice, lay in the fact that, contrary to some expectation, the advent of British coal on a large scale did not encounter, and as yet has not had to meet, drastic steps in the form of price reductions by American shippers to prevent the loss of their Canadian market. The growth of British anthracite consumption in this country appears to owe not a little to the height and rigidity of Pennsylvania coal prices. Finally, the depreciation of sterling gave a powerful impetus to the Dominion's imports of British coal. The tonnage imported in 1932 represented an increase over that of 1931 of more than half a million tons, or of nearly 60 per cent. Whereas a few years ago it was felt that one million tons was a fair maximum to set for British anthracite exports to Canada in a single year, that volume was exceeded in 1932 by roundly 400,000 tons. It has lately been suggested that, given a continuance of present currency conditions, an export of two million tons a year is both possible and probable. How much of this most recent spurt is due solely to exchange advantages it is impossible to say, for, coincidentally with those conditions, other favourable factors have asserted greater weight and effect than ever—notably the sentiment in support of Empire trade which has never been absent from the list of real advantages aiding the sale of British anthracite in the Dominion.

Two broad economic benefits—one of first-rank importance to Great Britain, the other of equal significance to Canada—have accompanied the appearance of British anthracite as a regular and major element of Canadian fuel supply.

To British producers a large and increasing market has been opened, and the value of that market appears to-day in a light entirely different from that in which it was viewed a few years ago. The market in Canada is now regarded

by the British anthracite industry as invaluable, for the growth of the Dominion's imports has afforded an expanding outlet at a time when the industry has had to face the effects of multitudinous trade restrictions in Europe and elsewhere.

As regards Canada, the developments of recent years have vitally changed the fuel supply position of the "acute fuel area." It is no longer possible or necessary to say, as it was said less than ten years ago in the first report of the Dominion Fuel Board, that the sword of Damocles is suspended over the anthracite consumer of Eastern Canada. Anxiety in regard to supplies of high quality domestic fuels has been dispelled, and its disappearance may be attributed in great measure to the growth in the importation of British anthracite. In no sense does full and unstinted recognition of that broad economic benefit offer an answer—but it does help to afford a fair light for approach—to the question as to whether the importation and distribution of British anthracite in Canada has been organized and conducted in compliance with Canadian legislation regarding combines.

III. THE ORGANIZATION OF BRITISH PRODUCERS AND EXPORTERS AND OF THE CANADIAN IMPORTERS

Changes of organization within the anthracite industry of Great Britain, both in Wales and in Scotland, have had the effect within quite recent years of radically altering the export arrangements and relations of British producers. These changes have occurred mainly within the period during which the Canadian market has been opened and developed. In any event, they require to be taken fully into account as having been the prime factor influencing the manner in which the importing connections on this side of the water have come to assume their present form. Apart from the matter of export and import arrangements, some understanding of the resources and of the producing aspects of the anthracite industry of Great Britain is likewise essential.

British Production

South Wales and Scotland divide the anthracite output of the United Kingdom roughly in the ratio of seven to one. The respective annual outputs of the two fields, for the ten-year period 1922 to 1931 inclusive, are detailed in the accompanying table reproduced from the South Wales Coal Annual of 1932.

PRODUCTION OF BRITISH ANTHRACITE, 1922-31 (GRÖSS TONS)

Year	South Wales	Per cent of Total	Scotland	Per cent of Total
1922.....	4,333,187	92.2	317,169	7.8
1923.....	4,873,043	93.2	428,719	6.8
1924.....	4,971,423	91.9	454,220	9.1
1925.....	5,566,544	90.0	617,647	10.0
1926.....	2,527,280	86.9	380,671	13.1
1927.....	5,747,812	90.6	599,078	9.4
1928.....	5,855,535	87.9	666,035	12.1
1929.....	5,595,651	89.0	691,572	11.0
1930.....	5,568,238	87.0	832,467	13.0
1931.....	5,043,245	86.5	785,930	13.5
1932.....	5,692,756	86.0	924,216	14.0
1933.....	6,127,398	86.9	925,645	13.1
1934.....	6,133,924	86.5	992,799	13.5

Measured by the yardstick of Canada's annual requirements, the output of British anthracite is surprisingly limited. To meet the total Canadian consumption, if that were competitively feasible, would call for the shipment to the Dominion of a very large share of the combined production of Wales and Scotland, equivalent to virtually the whole of the surplus normally available for export to all countries. The rise of the output of the Scottish collieries during the last decade represents a rather marked rate of growth, but the absolute tonnage is still small and is reported to be capable of only modest expansion. Wales presents much greater promise in the latter respect. The Welsh reserves of unworked coal are adequate to support a steadily increasing production, important additions to colliery capacity have lately been made or are now proceeding, and others are definitely planned for the near future. It is evident, however, that the British anthracite industry has no immediate prospect

of reaching dimensions at all comparable with the scale of production in the Pennsylvania fields—the other source from which Canadian supplies are chiefly drawn. Although the Pennsylvania output has declined severely in recent years, especially in 1932, it has ordinarily been in the neighbourhood of ten or twelve times as great as that of the United Kingdom. Canada's total imports from all countries bear a fairly high ratio to the British production, but they constitute only a small percentage of the American output. The significance of that fact lies in this—that the Canadian market, divided between British and American anthracite in the proportions that have prevailed in the last few years, has become relatively much more important to the British industry than to the American.

Year	British Anthracite Output	U.S. Anthracite Output	Canada's Total Anthracite Imports	Canada's Total Imports were equivalent to:	
				(a) Per cent of Br. Output	(b) Per cent of U.S. Output
	Short tons	Short tons	Short tons	%	%
1922	5,208,399	54,683,000	2,699,252	51.82	4.94
1923	5,937,973	93,339,000	5,165,382	86.99	5.53
1924	6,076,720	87,927,000	4,152,558	68.34	4.72
1925	6,926,294	61,817,000	3,782,557	54.61	6.12
1926	3,256,905(x)	84,437,000	4,192,419	128.72(x)	4.97
1927	7,108,517	80,096,000	4,107,854	57.79	5.13
1928	6,184,158	75,348,000	3,748,816	60.62	4.98
1929	7,041,690	73,828,000	4,019,917	57.09	5.44
1930	7,168,790	69,385,000	4,256,090	59.37	6.13
1931	6,528,676	59,645,000	3,162,317	48.44	5.30
1932	7,411,008	49,855,000	3,148,902	42.49	6.32
1933	7,899,408	47,541,000	3,015,571	38.17	6.09
1934	7,981,940	57,385,000	3,500,563	43.86	6.10
Average, 1922 to 1931, inclusive.....	6,143,812	74,110,500	3,928,716	63.95	5.30
Average, 1922 to 1934, inclusive....	6,517,729	69,068,000	3,765,553	57.77	5.45

(x) Year of British coal strike.

A Canadian business of a million tons a year accounts for perhaps 15 per cent of the Welsh and Scottish production, as against less than 2 per cent of the average Pennsylvania output. And, in such a shipping year as 1932, when the Dominion took roundly 1,400,000 tons of British anthracite, the Canadian market provided an outlet for approximately 20 per cent of the aggregate mine production of the Welsh and Scottish fields.

The Scottish Anthracite Industry

Although the anthracite production of Scotland falls far below that of Wales, the organization of the Scottish industry presents features of exceptional interest with reference to the manner in which the export trade with Canada is handled.

As indicated in foregoing tables, the total Scottish output has shown a pronounced rate of increase in the last decade, but is still well below one million long tons per annum. There are some twenty or twenty-five collieries—not

all in operation—owned by almost as many separate colliery companies. Only three companies had an output exceeding 100,000 tons in 1932, and the average output of the others was less than 40,000 tons. Thus, the industry is small in its component units as well as in the aggregate. For collieries of such size, operating in a purely independent way and commanding such limited supplies of their own, entry into an export market like that of Canada, which requires heavy shipments in cargo lots during a short season, would present great difficulty were it not for the type of service rendered by the coal-export merchant. In "The Coal Industry of the World", published by the U. S. Department of Commerce, the functions performed by the British coal-export merchants are described in terms which clearly indicate the peculiar importance of their services in relation to groups of small collieries such as those that comprise the Scottish anthracite industry.

"The risks connected with freights and foreign liabilities have deterred mine owners from undertaking the shipping as well as the production of coal; hence much of the export trade is in the hands of merchants who have no pecuniary interest in mines, unless as an investment, but who are prepared to undertake all risk connected with the sale and transportation of the coal. The majority of those engaged in this specific method of exporting coal are high-class concerns that carry on a regular trade in coal, acting mainly for the same people throughout the years. Because of these long-established connections both in Britain and abroad, they have no difficulty in disposing of the coal. In addition to financial connections as an investment in mining properties, many of these firms have financial interests in shipping, and in foreign port facilities; they have also created and maintained banking and financial agencies in foreign countries and are financially interested in foreign railways and other industrial enterprises. Consequently, they are in position to produce the strongest possible competition in the exportation of coal."

It has been the enterprise of this type of coal-export merchant, rather than direct selling by the Scottish collieries to Canadian importers, that has played the leading role in the development of anthracite trade between Scotland and the Dominion; and, from the standpoint of export organization, two distinct periods have marked the progress of that trade. The first period was that from 1923 to 1927 inclusive; the second, from 1928 to date. During both periods one firm of coal merchants, Maris Export and Trading Company, of London, has figured as the main channel through which Scottish coal has been imported into Canada, but the method of operation has been radically different as between the one period and the other. Maris Export and Trading Company is a subsidiary of Stephenson Clark and Associated Companies, Limited, also of London. The Maris company is engaged in export trade, the parent concern in domestic trade in the British Isles.

During the term 1923-27 inclusive, the Maris company exported to Canada an average of roundly 70,000 short tons of Scottish anthracite per annum. Shipments were purchased, assembled from the mines and despatched by the Maris company to a Canadian company with which it had an annual agreement to receive the cargoes on consignment and to dispose of the coal under a profit-sharing arrangement. In this earlier period there was no direct financial connection, by share ownership, between the Maris company and the Canadian company which acted as the importing agency. This method of doing business was terminated in the latter part of 1927, and an entirely new basis established. Under the new arrangement, which has continued in effect since the commencement of 1928, Maris Export and Trading Company remains responsible for the exporting phase of the trade, but it brings the Canadian importing organization and the majority of the Scottish producers into much closer relationship with itself and with each other. The nature of the relationship can best be made clear by approaching it from the Scottish end.

First, there is a grouping of collieries into a body known as the Scottish Anthracite Producers Association, more commonly referred to as the S. A. P. A. This is not a merger or an amalgamation of the colliery companies. The pro-

ducers have simply entered into a co-operative marketing scheme by forming an association "having for its object *inter alia* the development of the markets for anthracite produced in Scotland." The members of the S. A. P. A. comprise some fifteen colliery companies. According to the figures of known and estimated production in 1932, their combined output represents approximately 85 per cent of the total output of the Scottish anthracite fields.

Secondly, the Scottish Anthracite Producers Association, or the S. A. P. A., entered into a marketing or selling agreement with Maris Export and Trading Company and with its parent company—the Maris company being concerned with sales abroad, and the parent company with sales in the British Isles, apart from Scotland. The contract is a comprehensive one, giving the two merchant companies sole selling rights as regards the output of anthracite produced by collieries owned by members of the S. A. P. A., subject to certain exceptions which have no bearing upon the trade with Canada. The point of immediate interest in relation to Canadian business is that Maris Export and Trading Company, explicitly recognized in the agreement as having for some time past been engaged in the export of Scottish anthracite and as having established markets for the same in Canada and elsewhere, is constituted the sole channel for exports to the Dominion. This agreement or contract took effect in January of 1928. Prior to that time the Maris company had for years been the principal exporting link between the Scottish mines and the Canadian market, and the agreement translated that relationship into more formal, definite and permanent form.

Thirdly, instead of continuing to consign shipments under a profit-sharing arrangement to a Canadian company wholly separate in ownership from itself, Maris Export and Trading Company established a Canadian importing and distributing company, the Scotch Anthracite Coal Company, Limited. Virtually complete ownership of this company is retained by the Maris company. Thus, since 1928, the main volume of Scottish coal coming to Canada has reached this country via sale in the first instance from the Scottish Anthracite Producers Association to Maris Export and Trading Company, and by re-sale from the Maris company to its subsidiary, the Scotch Anthracite Coal Company at Montreal. The co-operative feature of the business is not confined merely to the banding together of the collieries in respect to the original sale of their output to the exporter. The coal received by the Canadian importing company, the Scotch Anthracite Coal Company at Montreal, is handled on joint account and the profits earned in Canadian operations go in part to the Scottish Anthracite Producers Association instead of solely to the Maris company, by which the Canadian company was established and is almost completely owned. According to the agreement between the producers and the export company, the price at which the coal is originally sold by the former to the latter is considered and is definitely stated to be only a provisional price. The real return derived by the collieries from their exports to Canada is this provisional price plus their share of the profits, or minus their share of the losses, on the business covered by the Canadian joint account.

The five-year period during which the foregoing arrangement has been operative has shown a steady expansion in the shipments of S. A. P. A. coal to Canada, with an exceptional increase in 1932 over the volume of previous years. Nearly 250,000 net tons entered the Dominion last year, equivalent to more than three-fifths of the tonnage exported to all countries by the group of collieries that represent 85 per cent of the total Scottish output. In other words, Scottish anthracite, almost unknown to the Canadian consumer ten years ago, today looks to the Dominion as its chief export market; and the shipments have now reached such volume as to comprise a substantial portion of Canada's aggregate imports of British coal.

The independent Scottish mines—that is, those outside the membership of the S. A. P. A.—are few in number and small in capacity, with an output estimated at roundly 135,000 gross tons for 1932. To these mines, also, the Canadian market has become important, but the volume of their shipments is necessarily too limited to figure as more than a minor factor in the British anthracite trade or in Canadian consumption. Receipts at Montreal amounted to roundly 33,000 net tons in 1932, or to less than 3 per cent of the Dominion's imports of British anthracite for the year.

The Welsh Anthracite Industry

In the South Wales Coal Annual sixty collieries are listed as being producers of anthracite but, eliminating those that are inactive, the number may be reduced to not more than fifty. As the aggregate production of the Welsh fields seldom exceeds 5,500,000 gross tons, the average output per colliery is obviously small. Nearly a score of collieries have individual outputs of less than 100,000 tons per annum, and approximately the same number produce from 100,000 to 200,000 tons, leaving a limited number with outputs exceeding 200,000 tons or, in a very few instances, reaching as high as 400,000 tons or more. The total Welsh production is increasing, and new colliery development is not fettered by lack of resources. Growth has been limited mainly by market factors. The known coal reserves are regarded as being ample to sustain production on the present scale, plus a moderate expansion of output, for a long period—in fact, for a considerably longer term than some estimates suggest as being the probable duration of the Pennsylvania anthracite industry.

Quality of Welsh Coal

Welsh anthracite, broadly similar to Scotch in many respects, is much less uniform in quality or grade. Whereas the quality of Scotch anthracite does not vary sharply as between the products of different collieries, wide variation is characteristic of the Welsh mines. A great deal of difficulty, increased in no small measure by diversity of opinion among those engaged in the coal trade, is encountered in attempting to reach a clear-cut and generally acceptable classification of the coals from the different Welsh collieries. The primary distinction is that between Red Vein and Big Vein anthracite. Red Vein contributes perhaps 10 per cent of the total Welsh output, and most of those who gave evidence on the question of quality of coal emphasized the inferiority of Red Vein. The principal British exporters, as well as the chief Canadian importers, pronounced Red Vein to be unsuitable for export shipment. Apart from its softer structure, which renders Red Vein subject to extremely heavy degradation, the quality of that coal as compared with Big Vein is less clearly defined. Its great friability, however, is freely conceded. Big Vein, which constitutes all but a small portion of the Welsh output, is redivided into a series of grades such as 'primes,' 'bests,' 'firsts,' 'seconds' and 'thirds,' and there appears to be no rigid practice in regard to determining the subdivision in which individual collieries should be placed. One classification may disregard the terms 'primes' and 'bests' and confine itself to a division of collieries into 'firsts,' 'seconds' and 'thirds.' Another list may contain four classes, 'primes,' 'bests,' 'seconds' and 'thirds,' with 'firsts' omitted; or still other variations may appear. The degree of hardness is the chief element of difference among the several grades or classes of Big Vein, and some of the lowest grade Big Vein coal is inferior to Red Vein. Since the degree of hardness governs the amount of degradation suffered in handling and shipment, it is understandable that one coal may be commercially of higher grade and of higher price than another which yields a closely similar chemical analysis but which is of softer or more brittle structure.

Concentration of Colliery Ownership

Concurrently with the advance of Welsh coal in the Canadian market, a rapid transformation has taken place in the ownership of collieries and in the general organization of the Welsh industry from the producing standpoint. Prior to 1923 the industry consisted of small units, owned and operated independently—single collieries in most cases, or very small groups. Commencing in 1923 with the formation of two much larger groups, the Amalgamated Anthracite Collieries, Ltd., and the United Anthracite Collieries Ltd., the process of consolidating colliery ownership or control resulted in the appearance of other strong groups, and finally, through their absorption in turn, in the emergence in 1928 of the Amalgamated Anthracite Collieries, Limited, as the dominant producing company. This company now controls thirty or more collieries, representing roughly three-quarters of the producing capacity of the Welsh anthracite industry. Apart from the Amalgamated company, there are perhaps twenty collieries owned by 'independent' companies, the majority operating only one colliery.

The concentration of colliery ownership has radically changed the situation with respect to export arrangements, including those relative to Canada. In the earlier years of the period when the Canadian trade was being developed, the Amalgamated company had not reached its present pre-eminence among Welsh producers. There was a brief stage in the course of the transition from widely scattered to highly concentrated ownership of collieries when the Amalgamated Anthracite Collieries was only one of a series of producing groups, including the Vale of Neath, the United, the Welsh and the Henderson groups. Each of those groups later passed into the control of the Amalgamated but, before that occurred, several of them had already entered the Canadian market. Each group, acting independently, had made its own exporting arrangement, shipping its coal to Canada either directly or through one or other of the Welsh coal-export merchants. And, similarly, each producing group, or its export merchant, had formed separate importing connections in Canada. The Amalgamated groups associated itself in Canada with the F. P. Weaver Coal Company and, in partnership with that company, it established the Canadian Welsh Anthracite Company to import and distribute Amalgamated shipments to this country. The Canadian Import Company, at Montreal and Quebec, became the importers and distributors of Vale of Neath coal. Welsh exporting firms such as Messrs. T. T. Pascoe Ltd., and Messrs. T. P. Rose Richards Ltd., handling coal purchased from still other groups of Welsh producers, were linked up with Messrs. Hartt and Adair of Montreal, the Milnes Coal Company of Toronto, or with other Canadian importers. As and when the various groups of Welsh producers were absorbed into the one major consolidation, the Amalgamated Anthracite Collieries, the exporting and importing arrangements relative to the Canadian market likewise became more consolidated. The policy of the Amalgamated Company had been and has continued to be that of making shipment direct to the Canadian importer, rather than through the medium of the coal-export merchant; thus, the successive elimination of different producing groups in Wales tended to eliminate the exporters who had previously acted for those groups in respect to their exports to Canada. The further effect, on this side of the Atlantic, has been to concentrate the importation of the bulk of the Welsh shipments into fewer hands. That does not mean that there actually is a smaller number of Welsh coal importers in Canada than was the case in earlier years; but it does mean that those importers who possess connections with the Amalgamated Anthracite Collieries have access to a source of supply which commands possibly three-quarters of the total Welsh output, while other importers must look to the limited volume of supplies available from the independent collieries.

Present Canadian Connections of the Amalgamated Company

As now organized, the Canadian importing arrangements of the Amalgamated Anthracite Collieries, Limited, preserve the connections that were built up in the first instance by the various groups of collieries before their inclusion in the Amalgamated company. But the present arrangements embody, also, very important departures from the former method of working. The chief changes date from early in 1929. The Canadian Import Company, in association with the British Coal Corporation—the latter, a new company established and owned by the same interests as are represented in the former—became a foremost factor in the new form of organization. With these companies was closely associated the F. P. Weaver Coal Company. The Canadian Import Company, operating at Montreal and Quebec, had in previous years developed a considerable import trade in Welsh coal from the Vale of Neath group of collieries. The Weaver company had pioneered the Canadian market for the original Amalgamated group and, in partnership with the Amalgamated company, had carried on the business of the Canadian Welsh Anthracite Company. This business had been of substantial volume but as it had incurred continuous and heavy losses for several years it was discontinued. By virtue of agreements entered into early in 1929, and of further agreements of later date, the British Coal Corporation of Canada was granted the sole and exclusive right to import Amalgamated Anthracite Collieries' coal into a large portion of that part of the Dominion lying between Winnipeg and the Atlantic seaboard. This exclusive right, however, did not and does not apply to Nova Scotia, or to New Brunswick (except St. Stephen), or to Toronto and the district usually supplied from Toronto. The same agreements provided for the appointment of the Canadian Import Company and the F. P. Weaver Coal Company as joint selling agents for the coal imported by the British Coal Corporation. It was the intention that the Import Company and the Weaver company should handle the business of wholesale distribution, and that the British Coal Corporation should be responsible for the purchase, importation and the preparation of coal for the market. As the arrangement has worked out, the Import company has latterly assumed, in addition to its functions as a wholesaler, most of the quondam activities of the British Coal Corporation. The latter company has become comparatively inactive. The Canadian Import Company, with its subsidiary the St. Lawrence Stevedoring Company, looks after the importation and preparation of the coal; it shares with the F. P. Weaver Coal Company the wholesale distribution in Montreal and all territory supplied from Montreal, and it is, further, the sole distributor for Quebec City and district.

As regards Toronto and the surrounding district, an agreement made in 1930, renewed and extended in 1932, gave to the Milnes Coal Company of Toronto—a subsidiary of Standard Fuel Company, Limited—sole and exclusive rights with respect to the importation of coal from the Amalgamated Anthracite Collieries, Limited. Separate and secondary arrangements modify the effect of this primary agreement by dividing the Toronto trade in Amalgamated coal into two sections. The Milnes company confines itself principally to retail trade, while the wholesale distribution is handled mainly by the F. P. Weaver Coal Company.

The imports of Amalgamated coal into the Maritime Provinces are relatively very small in volume. The Cunard Coal Company, of Halifax, is recognized by the Amalgamated company as its sole importer at Halifax, Yarmouth and Lunenburg in Nova Scotia. With those exceptions, the Maritime Provinces are described as being an open market for Amalgamated coal. It should be added that the Canadian Import Company undertakes to carry on sales promotion work in that territory, apart from the Cunard area, and that the Amalgamated company prefers, for financial reasons, to sell its coal through the Import company.

Canadian Connections of 'Independent' Welsh Exporters

The independent Welsh producers—that is, those outside the Amalgamated company—are in the habit of shipping to Canada through coal-export merchants, rather than direct. The volume of such shipments was substantially less than one-third of the total Canadian imports of Welsh anthracite in 1932. As regards the exports to this country, 'independent' coal is shipped chiefly by Messrs. T. T. Pascoe Ltd., a Welsh firm of coal-export merchants which has long been an active factor in developing and enlarging British anthracite trade with the Dominion. The bulk of the Pascoe shipments was received in 1932 by Messrs. Hartt and Adair, and by the F. P. Weaver Company, both at Montreal. A small tonnage was shipped to Quebec, and a somewhat larger but still relatively small tonnage to Halifax. The Hartt and Adair company and the Weaver company together received approximately 95 per cent of the total. Through arrangements with the collieries the Pascoe company has possessed monopolies of, or first calls upon, a considerable share of the supplies available from the Welsh independent mines for export to the Provinces of Quebec and Ontario. While such arrangements vary from year to year and may not be renewed in future, their effect has been to limit the supplies obtainable from independent mines for shipment to Canada by other exporters. Moreover, the Pascoe company has agreed to confine its exports to Ontario and Quebec to the two companies already referred to as being its principal customers—the Hartt and Adair company and the Weaver company. These circumstances tend to leave but limited scope for the entry of independent coal to the chief Canadian consuming markets, except through the Pascoe company as the exporter, and through the established connections of the Pascoe company as the importers. Other exporters and importers have been and are engaged in the trade but only on a comparatively small scale.

Concentration of Control in Canada

The foregoing paragraphs may be subject to some qualification in matters of detail but they afford a bare outline of the main features of the form which the organization of British anthracite trade with Canada now presents. It should not be overlooked that this form of organization is by no means of purely Canadian origin or design. It is the outcome, at least equally, of British influences, of trends in British industry and of the experiences, policies and decisions of British producers and exporters. The influence of British Government policy has not been entirely absent, for British legislation has been a paramount factor in lending authority, impetus and support to the movement toward amalgamation in the coal industry, in the production and in the selling and in the distribution of coal. What was referred to in a report by the British Board of Trade in 1928 as "the need for a greater degree of integration or co-operation in the coal industry" has been met in Scotland by the formation of the Scottish Anthracite Producers Association, and in Wales by the Amalgamation of anthracite interests that together control a share of the total output amounting to 70 per cent at least, and, according to some authentic evidence, to possibly 80 per cent. Accompanying these developments in Great Britain, and certainly created by them in part, two broad changes of special interest to the present inquiry have occurred in the British anthracite trade within the Dominion. Each of these changes touches closely, but from widely different angles and with widely different implications, the question as to whether the importation and distribution of British anthracite in Canada has been carried on in such manner as to maintain the degree and the freedom of competition which the Combines Investigation Act is designed to preserve for the safeguard and benefit of the Canadian public.

One of these changes suggests strongly that British anthracite has provided and is rapidly extending the only steady, large-scale competition which American anthracite has had to meet in the Canadian market.

This side of the picture appears when the British anthracite trade in Canada is looked at not merely by and within itself but equally in its relation to the anthracite business as a whole. Regarded from that standpoint, which in fairness to those who are engaged in British anthracite trade either in Canada or in Wales and Scotland should not be ignored, there is no question but that the introduction of British anthracite has been of great benefit to the Canadian consumer as an alternative fuel competing with American anthracite for this market.

The other of these changes points wholly in another direction and has all the appearances of having put a very taut check-rein upon the likelihood of serious competition within the British anthracite trade itself. It is clear, beyond dispute, that the importation and wholesale distribution of the main volume of British anthracite reaching this country has fallen into very few hands. Concentration in the hands of a few British producers and exporters has brought in its train almost equal concentration of the importing trade on this side of the Atlantic. The total Canadian imports for 1932 amounted to roundly 1,400,000 net tons, and approximately 90 per cent of that total was shipped through three channels—the Amalgamated Anthracite Collieries exporting from its own output, the Pascoe company exporting Welsh “independent” coal, and Maris Export and Trading Company exporting for the Scottish Anthracite Producers Association. Amalgamated coal, shipped to St. Lawrence ports for distribution to Quebec and Ontario markets, represented more than half of the aggregate Canadian imports of British anthracite; and, in the wholesale distribution of that coal, competition appears to be controlled virtually to the point of elimination. The Canadian Import Company alone serves Quebec City and district. The same company, with the Weaver company, enjoys the distributing rights for Montreal and all territory served from Montreal. Those two companies handle the wholesale distribution in that area under a contract with the Amalgamated which places very definite limits upon the degree and character of their competition. Moreover, there is now financial connection between them as regards share ownership and control. In Toronto, too, Amalgamated coal reaches the market through two companies working in a non-competitive way as between themselves. The Milnes Coal Company imports and does a large retail trade, while the Toronto branch of the Weaver company also imports but confines itself to wholesale business. Thus Amalgamated coal reaches the principal Canadian markets through three companies two of which are associated financially, and all of which are governed by allotments of exclusive territory or other contractual arrangements that minimize competition among themselves. As regards “independent” Welsh coal, the Pascoe shipments represent the major portion, and in 1932 all but a small tonnage came to Montreal. The chief importer there was the Hartt and Adair company and it is significant that the balance of the Pascoe shipments to Montreal went into the hands of the same interests which control Amalgamated coal in that market. The one remaining large volume of imports was that of coal supplied by the Scottish Anthracite Producers Association for which the Scotch Anthracite Coal Company at Montreal possesses the sole right of distribution in Canada.

This concentration of imports has undoubtedly reached a stage that invites apprehension in respect to the question of competition. The close control of the importation of Amalgamated coal is the central factor in the situation, since comparatively little other British anthracite reaches either Quebec City and

district or Toronto and district. With respect to the Montreal area, which is the chief consuming centre for Welsh and Scotch coal, it would require the co-operation of only three or four companies to effect non-competitive agreements or arrangements in regard to the distribution of the great bulk of the available supplies of British anthracite. That condition may well be said to present both ease and danger of combination in a manner detrimental to the public.

IV.—THE COST OF BRITISH ANTHRACITE TO THE CONSUMER

The initial point of inquiry in the investigation was to examine the prices of British anthracite to the Canadian consumer in representative centres where that fuel was an important factor. This section therefore deals primarily with retail prices. The make-up of these prices is being dealt with later in the report. The consideration of the matter of consumers' costs of British anthracite must for obvious reasons be joined with that of consumers' costs of the American anthracite which supplied practically the entire anthracite requirements of Canada until little more than ten years ago—when British anthracite permanently entered the field as the result of the desperate urgency for relief from the single closely controlled and apparently diminishing American source of supply.

The Canadian consumer had become—and is yet—thoroughly educated to the use of the American product—to the sizes in which it is marketed and their particular suitabilities for the various sizes and types of furnaces and boilers in common use, to burning qualities, to slate and other ash contents, to prices, and to its other features of direct interest to him as a user of anthracite. His observations, experiences, and examinations with respect to British anthracite therefore cannot be otherwise than comparative in character.

Before proceeding with the matter of consumers' costs it is necessary to discuss the sizes in which anthracites, both British and American, are sold; also the quality factor, as having a direct bearing on comparative values received by the consumer.

(a) *Sizing of Anthracites for the Canadian Market*

All anthracites are friable, some to much greater degree than others. That is to say, each time lump anthracite is handled a quantity of small pieces and dusts is produced. The smaller pieces and dusts thus produced are not usable in ordinary household furnaces, and cannot compete in price as industrial fuel with the more cheaply produced bituminous coals except at a loss on production cost. The losses so incurred on the dusts and fines have to be balanced by "pricing up" the saleable larger sizes.

The technique of anthracite mining, preparation, and handling has been developed with the view of securing the production of the minimum quantities of dusts and very small sizes, and is thus more costly than would be the case if the small sizes were as saleable at prices allowing profits on actual production costs as the larger sizes, and mining and processing methods determined accordingly.

Anthracite as raised from the mine consists of a mixture of large and small lumps and dust together with fragments of slate and other impurities. To prepare this run-of-mine coal for sale it is passed through breakers—and in increasing extent through washeries for the removal of impurities as may be economically practicable—where the large lumps are broken down, and the mixture screened into the sizes required by the consumer. The dusts, for which there is an extremely limited demand, are banked on huge dumps until such time as methods or processes for their economic fuel use may be developed.

American anthracite sizes are standardized, each "size" passing between bars of a screen and retained on another screen the bars of each of which are

spaced at specified distances. British anthracite sizes, while fairly comparable with each other, are not standardized, each mine operator producing his own sizes. Table 1 shows the standard sizes of American anthracite, and typical sizes of British and Scotch anthracite as prepared at the mines. The table is so arranged that the sizes of each anthracite are readily comparable.

TABLE 1—SIZES OF WELSH, SCOTCH AND AMERICAN ANTHRACITE AS SCREENED AT MINES

WELSH	Screens		SCOTCH	Screens		AMERICAN	Screens	
	Through	Over		Through	Over		Through	Over
Large		6"						
			Chirls	5"	3"	Broken	4 $\frac{3}{8}$ "	3 $\frac{1}{4}$ "
Machine made Cobbles	4"	2 $\frac{1}{2}$ "						
			Cobbles	3"	2"	Furnace, or Egg	3 $\frac{1}{4}$ "	1 11/16"
Screened Cobbles	3"	1 $\frac{1}{4}$ "						
French Nuts	2 $\frac{1}{2}$ "	1 $\frac{1}{2}$ "	Trebles	2 $\frac{1}{8}$ "	1 $\frac{5}{8}$ "			
						Stove	1 11/16"	1 $\frac{1}{8}$ "
Stove Nuts	1 $\frac{3}{4}$ "	$\frac{3}{4}$ "	Doubles	1 $\frac{5}{8}$ "	1"	Chestnut	1 $\frac{5}{8}$ "	13/16"
Peanuts	1 $\frac{1}{4}$ "	$\frac{5}{8}$ "						
Beans	1 $\frac{1}{8}$ "	$\frac{5}{8}$ "						
			Singles	1"	$\frac{3}{8}$ "	Pea	13/16"	9/16"
Peas	$\frac{5}{8}$ "	$\frac{1}{4}$ "	Pearls	$\frac{5}{8}$ "	$\frac{1}{4}$ "	Buckwheat No. 1	9/16"	5/16"
			Beans	$\frac{1}{2}$ "	3/16"			
			Peas	$\frac{3}{8}$ "	3/16"	Buckwheat No. 2 (Rice)	5/16"	3/16"
Grains	$\frac{1}{4}$ "	$\frac{1}{8}$ "						
						Buckwheat No. 3 (Barley)	3/16"	3/32"

Generally speaking, American anthracite is shipped by rail direct to the retail coal dealer in Ontario or Quebec; and being friable to a minor degree and subject to less rough handling, is sold as received in the sizes prepared at the mines and shown in Table 1.

Both Welsh and Scotch anthracites are more friable than the American product. They are subject to rough handling in loading onto vessel at port of export and in unloading at Canadian port, also to the working of the vessel on voyage. Imported prepared sizes must therefore be rescreened into uniform sizes at the importers' docks for the Canadian market and to remove the fines thus formed. In addition a substantial volume of "Large" Welsh anthra-

cite is imported into Montreal where it is broken and screened into the sizes suitable to the Canadian consumer. Table 2 shows the "sizes" under which Welsh and Scotch anthracite are marketed in Canada, together with the comparable sizes of American anthracite.

TABLE 2—COMPARABLE SIZES OF WELSH, SCOTCH, AND AMERICAN ANTHRACITES AS RETAILED IN CANADA

Market	Welsh	Scotch	American
Montreal and area served therefrom	Cobbles	Cobbles	Egg and Stove
	French Nuts	Domestic (Trebles)	Stove
	Chestnut (Stove nuts) (Peanuts)	Chestnut (Doubles)	Chestnut
	Peas (Beans)	Peas (Singles)	Pea
	Buckwheat No. 1 (Peas)	Buckwheat No. 1 (Pearls)	Buckwheat No. 1
	Buckwheat Nos. 1 & 2 (Peas & Grains)	Beans & Peas	Buckwheat Nos. 1 and 2
Toronto	Cobbles (a mixture of cobbles, French nuts, Stove nuts, and Peanuts)		Egg, Stove and Chest- nut
	Blower (a mixture of Beans, Peas and Grains)		Buckwheat Nos. 1 and 2

NOTE.—Names in brackets are of corresponding size in country of origin.

While Table 2 shows that British cobbles are comparable in size with a mixture of American Egg and Stove, from the standpoint of fuel usage they are comparable with American Stove. American Egg size is now sold in Canada in comparatively small tonnages for use in large furnaces and boilers of large buildings such as churches and institutions. The ordinary householder uses either British cobbles or American stove in his furnace—and thus in price comparisons as between the two coals these two sizes are taken as fully comparable.

Anthracite is produced primarily because of the demand for these sizes which can be burned successfully in ordinary domestic stoves and furnaces, and which are thus termed "domestic sizes." Formerly the American domestic sizes included only the egg, stove, and chestnut sizes, but latterly have also included pea coal which is now successfully burned in many furnaces without forced draft. Originally the smaller sizes were saleable only for industrial use and were therefore classed as "steam sizes." As domestic sizes could not be produced without producing "steam sizes" the disposal of the latter at prices other than those determined by bituminous prices was a serious problem of the producers. To force sales, retailers were compelled to take a proportion of steam sizes in order to secure their requirements of domestic sizes; and even then the prices realized did not cover production costs. This problem was one that was common to all anthracite operators, and Canadian importers of British anthracite in its early years disposed of their "steam" sizes at heavy losses, which were made up by increasing prices of domestic sizes.

Recent development in Canada of use of Buckwheats for domestic heating

A recent development in domestic heating has been the use of "blowers" whereby the ordinary furnace or boiler was adapted to the use of small anthracite by the installation of a special grate and an electrically operated fan to give the necessary increased draft to burn these small sizes successfully. Welsh anthracite, having a low ash fusion temperature, clinkers readily and is thus specially suited to blower use with the installation of a fixed perforated plate grate, the ash being removed through the firing door as clinker.

Scotch and American anthracites both have high ash fusion temperatures. The ash from them thus does not clinker at furnace temperatures and cannot therefore be removed through the firing door as clinker, as in the case of Welsh anthracite. The steam sizes of these anthracites require the more expensive installation of a fine shaker grate for blower use. The use of small sizes of these anthracites for domestic heating has thus not developed as rapidly as the Welsh except in magazine sloping grate boilers designed for their use which can operate only with a non-clinkering coal.

As far as the Welsh anthracite business in Canada is concerned the rapidly growing use of the cheaply installed blower systems with thermostatic control is revolutionizing the demand for domestic sizes as against steam or buckwheat sizes. Increasing tonnages of buckwheat are imported each year to supplement the supplies made in screening "domestic sizes" on the importers' docks. This has been to the decided benefit of the consumer, who at small expense installs a blower system and heats his house with little, if any, greater tonnage of Welsh buckwheats costing from \$4 to \$5 per ton less than the domestic sizes formerly used.

The extent of the growing use of Welsh buckwheat in Canada is presented in Table 3 showing exportations of Welsh Large, Domestic sizes, and Buckwheats to Canada during the years 1929 to 1932 inclusive, together with the estimated tonnages of domestic sizes and buckwheats produced after preparation and screening on the importers' docks. These estimates are based on the actual production experience of the largest importer in Montreal during 1930 and 1931 of large and domestic sizes, and on the assumption that imported buckwheats are not rescreened.

TABLE 3—EXPORTS OF WELSH ANTHRACITE TO CANADA DURING 1929, 1930, 1931 AND 1932, WITH ESTIMATED TONNAGES OF CLASSES PRODUCED THEREFROM AFTER PREPARATION ON THE IMPORTERS' DOCKS

EXPORTS TO CANADA		ESTIMATED OUTPUT FROM IMPORTERS' DOCKS			
Sizes	Net Tons	Domestic Sizes (including Peanuts)	Buckwheats	Screenings	Lost
1929		(Net Tons)	(Net Tons)	(Net Tons)	(Net Tons)
Large.....	102,548	63,990	16,715	21,330	513
Domestic Sizes.....	239,485	181,290	6,466	49,094	2,634
Peas and Grains.....	236,050(x)	.....	233,690	.....	2,360
Total 1929.....	578,083	245,280	256,871	70,424	5,507
1930					
Large.....	156,464	97,633	25,503	32,545	782
Domestic Sizes.....	310,389	234,964	8,380	64,561	3,414
Peas and Grains.....	307,753(x)	.....	304,675	.....	3,078
Total 1930.....	774,606	332,597	338,558	97,106	7,274
1931					
Large.....	128,509	80,790	21,007	26,730	642
Domestic Sizes.....	245,386	185,757	6,625	50,304	2,699
Peas and Grains.....	319,406(x)	.....	316,212	.....	3,194
Total 1931.....	693,301	266,547	343,844	77,034	6,535
1932					
Large.....	202,008	126,053	32,927	42,018	1,010
Domestic Sizes.....	414,470	313,753	11,191	84,966	4,559
Peas and Grains.....	467,125(x)	.....	462,454	.....	4,671
Total 1932.....	1,083,603	439,806	506,572	126,984	10,240
		Increase from 1929 to 1932 —79 per cent	Increase from 1929 to 1932 —97 per cent		

(x) Loss in handling from Wales to importers' docks estimated at 1 per cent.

Mr. L. G. Mickles, president of the F. P. Weaver Coal Company, Limited, who, as president of the Canadian Welsh Anthracite Coal Company was one of the major pioneers in the Canadian importation of Welsh anthracite commencing operations in 1923, in evidence referred to his early experience in the disposal of small sizes, all of which were produced in the sizing and screening of large and domestic sizes on his dock and none of which were imported as such, as follows:

"One of the problems confronting us here in the venture in which we had become interested was having in our hands a residue of sizes below domestic, including screenings, which represented a very grave and increasingly serious problem." (Evidence p. 1181).

"Q. In the early days what did you do with [residue of small sizes]?—A. In the early days we could only put them on the ground, so that the quantity increased from month to month and from year to year.

Q. Were they an absolute waste, so far as your company was concerned?—A. No, the only outlet at that time, at the inception of our operations, was in industrial plants. That continued until blower systems for domestic purposes had been installed to an extent that gave us an outlet in that direction. Our screenings have always presented the same problem, and we have had to look for distribution of them in the industrial field in competition with bituminous coal." (Evidence p. 1186).

Sir Alfred Cope, managing director of Amalgamated Anthracite Collieries, Limited, Swansea, which Welsh producer was associated with F. P. Weaver Coal Company, Limited, in Canadian Welsh Anthracite Coal Company in introducing Welsh anthracite to the Canadian market, also gave evidence as to their early difficulties in disposing of buckwheats as follows:

"Then we started breaking Welsh, first, in this country at Vulcan dock. We passed through many vicissitudes and we shipped over large quantities—fair quantities—of large coal, and broke it—and also sent cobbles. We did not send buckwheat—no one did. We sized coal there, of course, and then we found we had a large accumulation of buckwheat, which we did not know what to do with. It was piling up. Jointly with Weaver we looked for a market for the buckwheat and the result was the blower system. We encouraged engineers to do the thing, and we claim, rightly or wrongly, that we are the people who have given the Canadian people—with your own people, like Weaver, the blower system. It was caused originally by a surplus of buckwheat coal for which there was no sale." (Evidence p. 365-6).

The striking significance of this development is that not only has a profitable market thus been obtained for a by-product of Welsh anthracite importers' screening operations, but that a former drug-on-the-market has become a fuel of primary importance to the Canadian consumer, at a marked decrease in cost as compared with that of the domestic sizes of either British or American anthracite which it is displacing in such large volume. The degree which this displacement has attained is shown by comparing the total importations of all anthracite into Canada in 1932 amounting to 3,022,519 net tons, as determined by the Dominion Bureau of Statistics, with the 506,572 net tons, of Welsh buckwheats estimated in Table 3 as the output from the importer's docks for the same year—the latter being roughly one-sixth of the former.

It is seen also from Table 3 that the estimated volume of Welsh buckwheats made available for the Canadian consumer has practically doubled in the past four years while that of Welsh domestic sizes has increased 79 per cent. Moreover the increase of the latter has meant only the displacing of domestic sizes of other anthracites, or possibly coke, and the new consumers of those Welsh domestic sizes may return at any time to the displaced fuels. The increase of the former means however that new blower equipment has been installed to that extent and that these new consumers of buckwheat are now reasonably permanent consumers of that class of fuel.

Evidence given in the course of the inquiry was unanimous on the point that the trend of Welsh anthracite use in Canada is decidedly toward the increased consumption of the cheaper buckwheat or blower coals, thus:

Sir Alfred Cope speaking of the Canadian market:

"There is another point I would like to make for myself; this market is going to develop into largely a buckwheat market. Everybody is using blowers, and the people where they used to pay \$17 a ton for the sized coals—they are down to \$14.50 now I think—they can buy \$11 coal." (Evidence, p. 405).

Charles G. McGill, manager, William McGill and Company, wholesale and retail coal dealers, Toronto:

"We are selling approximately the same amount of coke as Welsh blower. I would like to say this if I may—the day is coming when the two big sellers in this market will be Welsh blower and coke."

"Question: If American anthracite should come down very substantially in price this coming spring, won't it recover a great deal of the market?"

Answer: Possibly some but it will never take the Welsh blower coal business—that, I am sure, is here to stay." (Evidence p. 3160).

Colonel K. R. Marshall, president of Standard Fuel Company, Limited, Toronto:

"If you want my opinion of the Welsh coal situation it is this. Eventually it will come to a purely blower proposition. If we were sitting around this table two years from now I think you would find there will be no anthracite at all. . . . Welsh cobbles with the degradation is at least \$15 a ton. Blower coal is from \$9.50 up, I think, and I

believe there is business taken in Toronto at \$9. People are putting in blowers, which they can get for \$50, and as a matter of fact we urge them to put blowers in, and I venture to say that in two years' time anthracite won't amount to 2,000 tons. It is all going to blower. I am trying to answer your question when I say that this thing may grow into an enormous proposition. The fuel business is changing so fast, believe me, that a lot of companies have lost out through holding on to the old American anthracite." (Evidence pp. 3443-4).

(b) *Value of British Anthracite as furnace fuel to the Canadian Consumer*

The relative values to the consumer of various anthracites are not solely a matter of their chemical analyses. In commenting on the comparison of fuels in connection with actual tests made in a domestic hot-water boiler at the Fuel Testing Station of the Department of Mines in 1924, Messrs. E. S. Malloch and C. E. Baltzer, the engineers conducting the tests, state: "The comparison of the different fuels was based chiefly on the efficiency of heat transference, though attention was also paid to such factors as the attendance which had to be given the fire; ease of controlling rate of combustion; cleanliness; and the handling and storage properties of the fuel."

Relative Fuel Value Tests made by Fuel Testing Station of the Federal Department of Mines

Two series of comparative fuel value tests have been made of Welsh, Scotch, and American anthracites by the Fuel Testing Station of the Department of Mines, the results of the first being published in 1925. The second series of tests were made only during the past few months, and the summary results, not yet published, have very kindly been made available for the purposes of the inquiry.

The anthracites tested were purchased from coal dealers and were thus identical with anthracites delivered to the consumer.

The average chemical analyses of each of the three anthracites for each of the series of tests were as follows:

AVERAGE OF ANALYSES OF ANTHRACITES IN FUEL VALUE TESTS

Anthracite	Size	Moisture	Ash	Volatile Matter	Fixed Carbon	B.T.U.'s per lb.
		%	%	%	%	
1924 TESTS:						
American.....	Stove.....	3.8	14.5	6.2	75.5	12,090
Welsh.....	Cobbles.....	2.2	4.9	7.8	85.1	14,076
Scotch*.....	Cobbles.....	2.95	6.95	10.0	80.1	13,770
1933 TESTS:						
American.....	Stove.....	3.5	9.5	5.3	81.7	13,100
Welsh.....	Cobbles and Stove.....	2.2	5.0	8.0	84.8	14,300
Scotch.....	Cobbles.....	3.0	5.0	7.8	84.2	14,000

*Referred to as semi-anthracite.

Summary results of these two series of tests giving relative fuel values of Welsh and Scotch anthracites as compared with American, and based on pounds of fuel fired per 100,000 B. T. U. delivered to the cooling water of the testing boiler, also tonnage equivalent as furnace fuel to 10 tons of American anthracite follow:

Anthracite	Average pounds of coal fired per 100,000 B.T.U. delivered to cooling water	Equivalent tonnage to 10 tons of American anthracite
1924 TESTS:		
American	11.39	10.00
Welsh	9.56	8.39
Scotch*	9.73	8.54
1933 TESTS:		
American	10.51	10.00
Welsh	9.42	9.00
Scotch	9.57	9.10

*Referred to as semi-anthracite.

On the basis of the 1924 tests both British anthracites were high premium coals as compared with American—Welsh being worth to the consumer as furnace fuel 19 per cent and Scotch 17 per cent more than American. In addition both British anthracites were much more preferable fuels because of the lower ash contents and consequent less inconvenience to the householder on his handling of ashes.

The 1933 tests show a decided improvement in the quality of American anthracite—due to its lower ash content as noted in its chemical analyses as compared with that in 1924 and brought about by more careful attention of American anthracite operators of late years to cleaning their product. However, in spite of that improvement both Welsh and Scotch anthracites are still superior in quality, and justify a substantial premium in price over American on that basis. This premium in the case of Welsh amounts to 11 per cent and of Scotch nearly 10 per cent. That is, if American stove coal is worth \$15 per ton, Welsh cobbles would be worth \$16.67, and Scotch \$16.49 per ton, on the basis of their respective fuel values. They are still preferable to American from the ash disposal standpoint—but not to the same extent as in 1924.

Evidence in the inquiry was in substantial agreement that the quality of American anthracite has been materially improved during the past few years—greater care being taken at the mines to remove slate and other impurities raised with the coal. This has been due mainly to the increasingly keen competition in the home market of substitute fuels such as coke, low-volatile or "smokeless" bituminous, and fuel oil. The latest development being introduced into the American anthracite fields is the replacement of breakers at each colliery by large centralized washeries serving several collieries and using the most modern and efficient cone water-and-sand mixture flotation process for removing dirt from the anthracite—which would indicate that the much complained of high-ash content of American anthracite is beginning to be corrected.

While the inroads on their formerly exclusive Canadian market by clean high grade British anthracites may not have been a dominating factor in forcing the American anthracite operator to improve the standard of his product, there can be no doubt that it has been an important factor in assuring that the best qualities of American anthracite available are being exported to Canada—and that the American anthracite received to-day is of better quality than was the case in 1924. The recently completed fuel value tests already referred to

show this to be a fact, but they also demonstrate that the actual premium value of British anthracites over the American product is still substantial—10 and 11 per cent. There was general agreement among the witnesses examined that British anthracite was worth more than American as fuel; and the fact that in Ottawa it sold readily in 1927 at a premium over American of \$2.75 per ton on domestic sizes and is increasingly displacing American at a premium of from \$1 to \$1.25 per ton on domestic sizes, and of \$1.50 per ton on buckwheats, during the present winter indicates that the consumer has no doubt of its superiority as a domestic fuel.

Table 4 shows representative chemical analyses of various anthracites now marketed in Canada.

TABLE 4—ANALYSES OF REPRESENTATIVE ANTHRACITES ON CANADIAN MARKET

Anthracite	Size	Moisture	Ash	Volatile Matter	Fixed Carbon	B.T.U. per lb.	Sulphur
		%	%	%	%		%
Welsh.....	Cobbles.....	1.58	5.60	7.99	84.85	14,124	0.84
".....	French Nuts.....	1.31	5.67	9.09	83.73	14,203	0.93
".....	Cobbles.....	2.2	5.0	8.0	84.8	14,300	1.1
".....	Buckwheat No. 1.	1.29	6.74	8.72	83.25	14,068	0.96
Scotch.....	Cobbles.....	3.0	5.0	7.8	84.2	14,000	0.70
".....	".....	3.25	5.37	8.52	82.86	13,814	0.70
".....	".....	3.20	4.20	9.38	83.22	13,859	0.78
".....	Beans.....	3.26	5.14	8.84	82.76	13,768	0.85
German.....	Buckwheat.....	0.94	5.10	7.83	86.13	14,614	1.72
Russian ¹	Medium— Stove to Nut...	4.7	3.5	3.8	88.0	13,640	1.4
American.....	Stove.....	3.5	9.5	5.3	81.7	13,100	0.8
".....	".....	3.8	12.8	5.2	78.2	12,510	0.6
".....	Chestnut.....	4.2	10.9	5.6	79.3	12,850	0.8
".....	Egg.....	3.7	8.9	6.4	81.0	13,100	0.8
".....	Buckwheat No. 1.	2.6	17.6	6.7	73.1	11,850	0.8
" *.....	".....	5.1	9.4	4.8	80.7	12,860	.....
" *.....	Chestnut.....	2.41	7.16	5.64	84.79	13,625	.....

¹Imported into Canada before embargo of 1931.

*Coal as processed in new sand and water mixture flotation cone type washery.

Saward's Annual 1932 gives ranges of analyses of Pennsylvania anthracite coal as shipped as follows:—

Size	Moisture	Ash	Volatile Matter	Fixed Carbon	Sulphur
	%	%	%	%	%
Broken.....	1 — 2	7 — 10	4 — 6	81 — 84	0.7
Egg.....	1 — 2	8 — 11	4 — 6	80 — 83	0.7
Stove.....	1 — 2	9 — 12	4 — 6	79 — 81	0.7
Chestnut.....	3 — 4	10 — 13	4 — 6	77 — 80	0.7
Pea.....	3 — 4	13 — 15	4 — 6	76 — 78	0.7
Buckwheat No. 1.....	3 — 4	16 — 20	4 — 6	71 — 75	0.7
" No. 2.....	3 — 4	18 — 22	4 — 6	69 — 73	0.7

The South Wales Coal Annual, 1932, gives typical analyses of Welsh anthracite as follows:—

Anthracite	Moisture	Ash	Volatile Matter	Fixed Carbon	B.T.U. per lb.	Sulphur
	%	%	%	%		%
Gwendraeth Valley Bests (Big Vein).....	2.12	2.46	6.19	89.23	14,697	0.74
Swansea Valley (Big Vein).....	1.67	4.39	7.59	86.35	14,566	0.76
Red Vein.....	2.42	4.46	6.74	86.38	14,522	1.24

These typical analyses of Welsh anthracite indicate that chemically there is no material difference, from the consumer's point of view, in the anthracites taken from the various Big Vein or Red Vein seams. The variation in friability of these coals—of such primary importance to the Canadian importer as determining his degradation losses in shipment and handling—is important also to the consumer by reason of the degree to which excessive degradation adds to his cost, as well as through the percentage of fines which may be formed from the importers' dock or the coal dealers' yard to his cellar.

(c) *Retail Selling of Anthracite*

The consumer's sole contact with the train of anthracite supply is with the retail coal dealer. He has been forcibly impressed with the fact that anthracite retail prices have not kept step with the drastic decline that has taken place during the past two or three years in the prices of most other commodities of major importance to him. He cannot understand why with the heavy discount on sterling since the fall of 1931 the retail prices of British anthracite are not much lower than they are.

Chart No. 1 shows the course of wholesale prices of all commodities and of retail food prices since 1927 as compared with Ottawa and Montreal retail prices of British and American anthracite in both domestic and buckwheat sizes reduced to the basis of average prices of the winter of 1928-1929. There is no escaping the fact that anthracite prices have remained remarkably steady during the past two years. While the imposition of customs duties on American anthracite as well as excise taxes on all imported anthracites has had its effect on the reduction of coal prices, similar taxes on other commodities are no doubt reflected in the course of wholesale prices of all commodities. The chart also shows how the increasing demand for buckwheat sizes is enhancing their price—which is readily understandable, and reasonable, provided that the prices of the domestic sizes, which have been carrying production losses on buckwheat sizes, are reduced accordingly.

The present inquiry necessarily has been concerned primarily with the operations of importers of British anthracite. The retail distribution has been given careful attention in the principal British anthracite consuming centres, viz., Montreal, Toronto, Ottawa, and Quebec, to determine whether or not the provisions of the statutes with reference to "combines" have been infringed. It was found that there are no dealers handling British anthracite exclusively—and that the methods of retailing that fuel are no different except in one respect in certain centres than those that have prevailed in the retailing of American anthracite and bituminous coals, and latterly coke, since long before British anthracite entered the Canadian market. It was considered therefore that no useful purpose would be served by extending the investigation to include the whole retail coal trade where British anthracite is handled. Price data and other relevant information were obtained, however, by questionnaire canvass of dealers in important coal consuming centres other than those mentioned.

The one exception in certain centres with reference to retailing practice insofar as it affects British anthracite as mentioned in the preceding paragraph refers to the handling of that fuel by retail dealers direct from the importers' docks at ports of entry such as Montreal, Quebec and Toronto instead of through their own yards. The effect of this development will be commented upon in Section 5 of the report.

One outstanding feature of the retailing of anthracite coal as brought out in evidence was the prevalence of price-cutting. It was found that practically all coal dealers sell anthracite to certain consumers, who "shop around" before buying, at appreciably lower prices than their announced circular prices.

Practically none of the retail dealers questioned was definite as to the extent to which sales were made below circular prices. Some estimated fifty per cent or more, others twenty-five per cent or less. Statements were required from representative dealers in Montreal and Ottawa showing actual sales at circular and below circular during certain weeks when coal was moving freely. These statements show that sales at cut prices are sufficiently numerous to have a very material effect on receipts from sales. Consumers generally may be in a position to correct this discriminative practice, by refusing to buy until they secure competitive bids for their orders, or by "shopping around" as is done at present by those securing favoured treatment.

CHART N°1

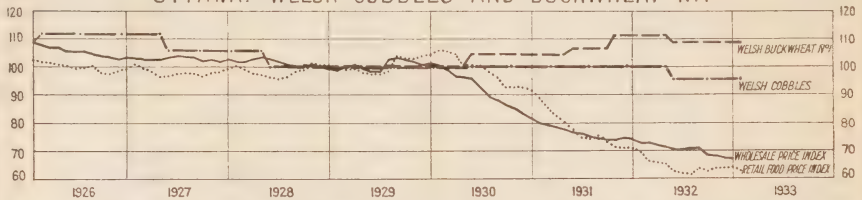
COURSE OF RETAIL PRICES OF ANTHRACITE 1926-1932

as compared with

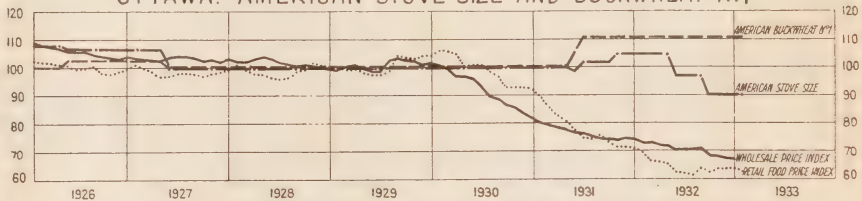
RETAIL PRICES OF FOOD AND WHOLESALE PRICES OF ALL COMMODITIES

Basis of average prices for six months from October 1928 to March 1929 inclusive = 100

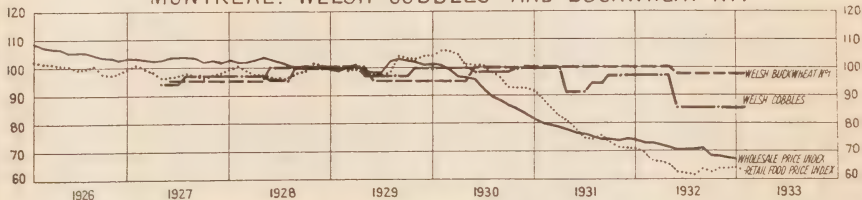
OTTAWA: WELSH COBBLES AND BUCKWHEAT N°1



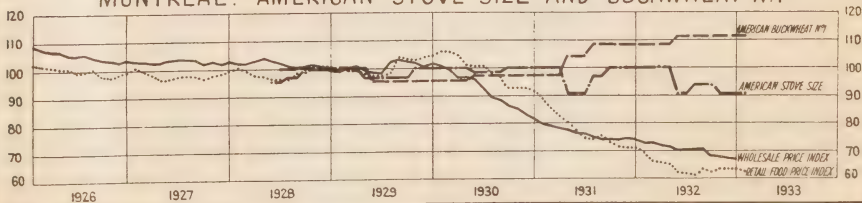
OTTAWA: AMERICAN STOVE SIZE AND BUCKWHEAT N°1



MONTREAL: WELSH COBBLES AND BUCKWHEAT N°1



MONTREAL: AMERICAN STOVE SIZE AND BUCKWHEAT N°1



Retail Prices

Table 5 showing retail prices at Montreal, Ottawa, Toronto and Quebec for the month of December, 1932, is included for the purpose of indicating the range of prices for the various sizes of anthracites available to the householder.

TABLE 5.—CIRCULAR RETAIL PRICES OF ANTHRACITES AT MONTREAL, TORONTO, OTTAWA AND QUEBEC FOR THE MONTH OF DECEMBER, 1932

Anthracite and size	Retail Price per Ton			
	Montreal	Toronto	Ottawa	Quebec
WELSH—				
Cobbles.....	\$14.50	\$15.00	\$16.75	\$14.00-14.50
French Nuts.....	14.75		16.75	14.00-14.50
Chestnut.....	14.50		16.75	
Pea.....	12.00		13.75	
Buckwheat No. 1.....	10.25		12.25	
“ Nos. 1 and 2.....	9.50	10.50	11.50	8.75- 9.00
SCOTCH—				
Cobbles.....	14.50		16.75	
Domestic.....	14.75	15.00	16.75	
Chestnut.....	14.50		16.75	
Buckwheat No. 1.....	10.25	10.50	12.25	
Beans.....	8.75	10.00		
AMERICAN—				
Egg or Furnace.....	14.50	14.25	15.25	14.00-14.50
Stove.....	14.75	14.50	15.75	14.00-14.50
Chestnut.....	14.50	14.25	15.50	14.00-14.50
Pea.....	12.00	12.25	13.50	
Buckwheat No. 1.....	10.00	10.50	10.75	
“ Nos. 1 and 2.....	8.00	10.00		

Table 6 shows for a representative domestic size and buckwheat No. 1 of British and American anthracites the retail circular cash prices month by month since January, 1928, as obtained from dealers, for Montreal, Toronto, Ottawa and Quebec. It is to be noted that as a rule the prices remain steady throughout the winter when the coal moves to the consumer in volume, and that prices in recent years drop in the spring to encourage summer buying, increasing again during the summer to the steady winter rate. The Ottawa price range is the outstanding exception to this rule.

Table 7 gives the circular winter prices at which British and American anthracites of (a) representative domestic sizes and (b) buckwheat sizes sold at important consuming centres in Ontario and Quebec for the past four winters. As the bulk of anthracite retail sales are made during the winter months the prices shown are those which the average consumer has paid for his yearly requirements. These prices do not, of course, take into account any price-cutting on circular prices which has prevailed at any of the centres covered.

TABLE 6--RETAIL CIRCULAR PRICES PER NET TON OF BRITISH AND AMERICAN ANTHRACITES IN MONTREAL, TORONTO, OTTAWA, AND QUEBEC BY MONTHS, 1928-32

Month	DOMESTIC SIZES												BUCKWHEAT No. 1											
	Montreal			Toronto			Ottawa			Quebec			Montreal			Toronto			Ottawa			Quebec		
	Welsh Cobbles	Am. Stove	Scotch Cobbles	Welsh Cobbles	Scotch Cobbles	Am. Stove	Welsh Cobbles	Scotch Cobbles	Am. Stove	Welsh Cobbles	Scotch Cobbles	Am. Stove	Welsh Blower	Scotch	Am.	Welsh	Scotch	Am.	Welsh Buck- wheat					
1928 Jan.	16 50			15 50	18 50	15 75	16 50	15 00		10 00					10 00				9 50					
Feb.	16 50			15 50	18 50	15 75	16 50	15 00		10 00					10 00				9 50					
Mar.	16 50			15 50	18 50	15 75	16 50	15 00		10 00					10 00				9 50					
Apr.	16 50			15 00	18 50	15 75	16 50	15 00		10 00					9 75				9 50					
May	16 25	15 50		15 25	17 50	17 50	16 25	16 25		10 50		9 00			9 75				9 75					
June	16 25	15 50		15 25	17 50	17 50	16 25	16 00		10 50		9 00			9 75				10 00					
July	16 25	15 75		15 25	17 50	17 50	16 00	16 00		10 50		9 00			9 75				8 75					
Aug.	17 00	15 75		15 25	17 50	17 50	16 00	16 00		10 50		9 00			11 25	11 25	9 75	9 00	9 00					
Sept.	17 00	16 25		15 50	17 50	17 50	16 00	16 00		10 50		9 00			10 00	11 25	9 75	8 75	8 75					
Oct.	17 00	16 25		15 50	17 50	17 50	16 00	16 00		10 50		9 00			10 00	11 25	9 75	8 75	8 75					
Nov.	17 00	16 25		15 75	17 50	17 50	16 00	16 00		10 50		9 00			10 00	11 25	9 75	8 75	8 75					
Dec.	17 00	16 25		15 75	17 50	17 50	16 00	16 00		10 50		9 00			10 00	11 25	9 75	8 75	8 75					
1929 Jan.	17 00	16 25		15 75	17 50	17 50	16 00	16 00		10 50		9 00			10 00	11 25	9 75	8 50	8 50					
Feb.	17 00	16 25		15 75	17 50	17 50	16 00	16 00		10 50		9 00			10 00	11 25	9 75	8 75	8 75					
Mar.	17 00	16 25		15 75	17 50	17 50	16 00	16 00		10 50		9 00			10 00	11 25	9 75	8 75	8 75					
Apr.	16 50	15 75		15 00	17 50	17 50	15 50	15 00		10 50		8 50			9 75	11 25	9 75	8 75	8 75					
May	16 50	15 75		15 10	17 50	17 50	15 50	15 00		10 00		10 00			9 75	11 25	9 75	8 75	8 75					
June	16 50	15 75		15 20	17 50	17 50	15 50	15 00		10 00		10 00			9 75	11 25	9 75	8 75	8 75					
July	16 50	15 75		15 30	17 50	17 50	15 50	15 00		10 00		10 00			9 75	11 25	9 75	8 75	8 75					
Aug.	16 50	15 75		15 40	17 50	17 50	15 50	15 00		10 00		10 00			9 75	11 25	9 75	9 00	9 00					
Sept.	16 50	15 75		15 50	17 50	17 50	16 00	15 50		10 00		10 00			10 00	11 25	9 75	9 50	9 50					
Oct.	17 00	16 25		15 50	17 50	17 50	16 00	15 50		10 00		10 00			10 00	11 25	9 75	9 50	9 50					
Nov.	17 00	16 25		15 50	17 50	17 50	16 00	15 50		10 00		10 00			10 00	11 25	9 75	9 50	9 50					
Dec.	17 00	16 25		15 75	17 50	17 50	16 00	15 50		10 00		8 50			10 00	11 25	9 75	9 50	9 50					
1930 Jan.	17 00	16 25		15 00	17 50	17 50	16 00	15 50		10 00		8 50			10 00	11 25	9 75	9 50	9 50					
Feb.	17 00	16 25		15 00	17 50	17 50	16 00	15 50		10 00		8 50			10 00	11 25	9 75	10 00	10 00					
Mar.	17 00	16 25		15 00	17 50	17 50	16 00	15 50		10 00		8 50			10 00	11 25	9 75	10 00	10 00					
Apr.	17 00	16 25		15 50	17 50	17 50	16 00	15 50		10 00		8 50			10 00	11 25	9 75	10 00	10 00					
May	16 75	16 00		15 00	17 50	17 50	15 50	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					
June	16 75	16 00		15 00	17 50	17 50	15 50	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					
July	16 75	16 00		15 25	17 50	17 50	15 50	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					
Aug.	16 75	16 00		15 25	17 50	17 50	15 50	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					
Sept.	16 75	16 00		15 50	17 50	17 50	15 50	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					
Oct.	17 00	16 25		15 50	17 50	17 50	16 00	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					
Nov.	17 00	16 25		15 50	17 50	17 50	16 00	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					
Dec.	17 00	16 25		15 50	17 50	17 50	16 00	15 00		10 50		8 75			10 00	11 75	9 75	10 00	10 00					

TABLE 6—RETAIL CIRCULAR PRICES PER NET TON OF BRITISH AND AMERICAN ANTHRACITES IN MONTREAL, TORONTO, OTTAWA, AND QUEBEC BY MONTHS, 1928-32

Month	DOMESTIC SIZES										BUCKWHEAT No. 1													
	Montreal			Toronto			Ottawa			Quebec			Montreal			Toronto			Ottawa			Quebec		
	Welsh Cobbles	Scotch Cobbles	Am. Stove	Welsh Cobbles	Scotch Cobbles	Am. Stove	Welsh Cobbles	Scotch Cobbles	Am. Stove	Welsh Cobbles	Scotch Cobbles	Am. Stove	Welsh Blower	Scotch	Am.	Welsh	Scotch	Am.	Welsh	Scotch	Am.	Welsh Buck- wheat		
1931 Jan.	17 00	17 00	16 25	17 00	17 00	15 50	17 50	17 50	15 75	15 50	15 50	10 50	11 00	10 50	8 75	11 00	11 75	10 00	11 75	11 75	9 75	10 00		
Feb.	17 00	17 00	16 25	17 00	17 00	15 50	17 50	17 50	15 75	15 50	15 50	10 50	11 00	10 50	8 75	11 00	11 75	10 00	11 75	11 75	9 75	10 00		
March	15 50	15 50	14 75	16 50	16 50	14 50	17 50	17 50	15 75	15 50	15 50	10 50	10 50	10 50	8 75	11 00	11 75	10 00	11 75	11 75	9 75	10 00		
April	15 50	15 50	14 75	16 50	16 50	14 50	17 50	17 50	15 75	15 50	15 50	10 50	10 50	10 50	9 35	10 50	12 00	10 00	12 00	12 00	10 25	10 00		
May	15 50	15 50	14 75	16 50	16 50	14 50	17 50	17 50	15 75	15 50	15 50	10 50	10 50	10 50	9 35	10 50	12 00	10 00	12 00	12 00	10 25	10 00		
June	16 00	16 00	15 75	16 50	16 50	15 25	17 50	17 50	16 00	15 00	15 50	10 50	10 50	10 50	9 75	11 00	12 00	10 00	12 00	12 00	10 75	10 00		
July	16 00	16 00	15 75	16 50	16 50	15 25	17 50	17 50	16 00	15 00	15 50	10 50	10 50	10 50	9 75	11 00	12 00	10 00	12 00	12 00	10 75	9 50		
Aug.	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 50	15 50	10 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	9 50		
Sept.	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 50	15 50	10 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	10 00		
Oct.	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 50	15 50	10 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	10 00		
Nov.	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 50	15 50	10 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	10 00		
Dec.	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 50	15 50	10 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	9 00		
1932 Jan.	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 25	15 50	15 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	10 00		
Feb.	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 50	15 50	10 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	10 00		
March	16 50	16 50	16 25	16 50	16 50	15 50	17 50	17 50	16 50	15 50	15 50	10 50	10 50	10 50	9 75	11 00	12 50	10 00	12 50	12 50	10 75	10 00		
April	14 50	14 50	14 75	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
May	14 50	14 50	14 75	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
June	14 50	14 50	14 75	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
July	14 50	14 50	15 25	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
Aug.	14 50	14 50	15 25	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
Sept.	14 50	14 50	15 25	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
Oct.	14 50	14 50	14 75	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
Nov.	14 50	14 50	14 75	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 50		
Dec.	14 50	14 50	14 75	15 00	15 00	14 50	16 75	16 75	15 25	14 50	14 50	14 50	10 25	10 25	10 00	10 50	12 25	10 00	12 25	12 25	10 75	9 00		

(d) *Retail Price Values: British and American Anthracite*

The retail price data in the preceding tables, particularly in Table 6, demonstrate clearly that until 1932 British anthracite sold with hardly an exception on a premium basis as compared with its American competitor.

At Montreal where by far the largest volume of British anthracite is landed and distributed Welsh cobbles sold at a premium of 75 cents per ton over American stove size from 1928 to the winter of 1931-1932 when the premium was reduced to 25 cents per ton. With the opening of navigation in 1932 British cobbles were so priced that they undersold American stove by amounts varying from 75 cents per ton during the late summer to 25 cents per ton during the winter just closing.

In Ottawa, to which British anthracite moves from Montreal by rail, the premium which it commanded over American coal was much higher than in Montreal, as follows:—

Date	Retail Prices per Ton		Premium British over American
	Welsh Cobbles	American Stove	
	\$	\$	\$
December 1927.....	18.50	15.75	2.75
“ 1928.....	17.50	15.75	1.75
“ 1929.....	17.50	15.75	1.75
“ 1930.....	17.50	15.75	1.75
“ 1931.....	17.50	16.50	1.00
“ 1932.....	16.75	15.75	1.00

At these substantial premiums the Ottawa consumer has each year purchased British anthracite in increasingly large volume in preference to the lower priced American.

The facts are clear that the consumers of the bulk of the British anthracite sold in Canada in the last eight months of 1932 have paid little more, or no more, or even less per ton than they would have had to pay for American anthracite. Also that while the premium still applies to a lesser degree, in the case of rail-shipment points, such as Ottawa, British anthracite sales in those points are increasing, due largely, if not entirely, to the further displacement of American.

On the basis of the fuel value tests made by the Fuel Testing Station in 1924 as already referred to, which determined that 8.4 tons of Welsh anthracite performed the same fuel service as 10 tons of American, the premium for the former when the latter retails for \$15.75 per ton as in Ottawa for the winter just closing would be \$3 per ton. On the basis of the 1933 comparative fuel value tests just completed showing a material improvement in American anthracite the premium value of Welsh over the American selling at \$15.75 amounts to \$1.75 per ton—which is greater than that actually paid by the Ottawa consumer.

In view of the fact that American anthracite operators are accepting payment in Canadian funds, not only for anthracite purchases but also for freight charges from the mines to the Canadian border, a condition which, in part, is attributable to the presence in large volume of British anthracite on the Canadian market, the Canadian consumer of American anthracite is paying appreciably less for his fuel—and thus receiving greater value for his money—than would otherwise have been the case. This price benefit in the case of the Ottawa purchaser of American stove amounts to over \$1.50 per ton when United States funds are at a premium of 15 per cent on the Canadian dollar.

Relation of Montreal, Toronto and Ottawa Retail Prices

While it is true that the Montreal, Toronto and Ottawa consumers of British anthracite are receiving better value for their money than consumers of American anthracite in these centres—and the same applies elsewhere—a comparison of retail prices of British anthracite in these cities brings out certain inconsistencies having regard to transportation differentials.

	City	Retail Price of Welsh Cobbles,	
		December, 1932	
Montreal		\$14.50	per ton
Toronto		15.00	"
Ottawa		16.75	"

A large tonnage of Welsh anthracite moved from Montreal to Toronto by rail during the latter part of 1932 at the special rate of \$1.50 per ton for domestic sizes. This is handled directly from dealers' yards in competition with Welsh coal moved to Toronto by water and handled over the docks. The coal thus moved by rail is handled exactly as is the Welsh coal moved into Ottawa at the same \$1.50 rate. No explanation satisfactory to the Ottawa consumer is available as to why he should be required to pay \$1.75 per ton more than the Toronto consumer. Similarly the Montreal consumer feels unjustly treated that coal moved from Montreal at a cost of \$1.50 per ton with a certain amount of degradation en route should be sold in Toronto at only 50 cents per ton more than he is paying in Montreal. The explanation for the lower prices in Toronto as compared with other points is apparently the price competition of coke, Pocahontas coal and American anthracite. The Ottawa-Montreal differential of \$2.25 per ton retail on Welsh cobbles, when the cost of moving the coal is only \$1.50 per ton, will be referred to in the following section.

V.—THE SPREAD BETWEEN RETAIL AND WHOLESALE PRICES

Granting that the prices of British anthracite to the consumer are lower than or even equal to those of American having regard to its comparative quality and superior value as furnace fuel, it may nevertheless be true that these prices are, or have been, too high, considered purely on the basis of costs—that the importers, wholesalers, or retailers have simply taken advantage of the “umbrella” so conveniently furnished by the height and rigidity of American anthracite prices to exact from the Canadian consumer of British anthracite wider margins than the importing and distributing costs really warrant. The second step of the investigation has been to examine the spread or margin taken by the retailer to determine whether it has been excessive, or out of line with his margins on American anthracite.

In the retail trade the “margin” or “spread” or more exactly “gross margin” is the difference between the dealer’s cost alongside his yard, that is, from the point at which he takes delivery, and his price delivered to the consumer. The retailer’s net profits are determined by deducting all overhead, selling, delivery and other costs or losses entailed in retail operations from this gross margin which for convenience will be referred to simply as the retailer’s margin.

Retailer's margins on British and American anthracites at Montreal, Ottawa, Toronto, and Quebec for the years 1928 to 1932 inclusive

For all “line company” American anthracite delivered by rail from the mines to the dealer—and the bulk of the movement into Ontario and Quebec is by rail—the determination of the dealer’s costs alongside his yard is a simple problem. The prices f.o.b. mines are announced by circular to the trade and in the weekly or other trade periodicals. They are subject only to certain announced cash discounts, and no dealer receives special price concessions of any kind. All other costs entering into the transfer to the dealer including freight, customs duties, and excise taxes are public information. Exchange discounts on Canadian funds are applicable only in the determination of excise tax which is charged on the duty paid price at mines in United States currency—payment for anthracite, and freight to the Canadian border, being accepted at parity of exchange.

The dealer’s costs of British anthracites are also easily determined except that wholesale prices are announced to the trade only and do not appear in the public press. Evidence was presented to the effect that special price concessions were given to some dealers, thus dealers’ costs computed from circular wholesale prices may not be applicable to all dealers. Where British anthracite is delivered by the dealer direct from the importers’ docks as in Montreal, Quebec, and Toronto, his cost is taken as the wholesale price ex-dock.

The retail price used in determining the dealer’s margin is his circular price allowing cash discount if any—although as before mentioned the circular prices are departed from more or less frequently depending upon the dealer, and the keenness of competition for business.

CHART No 2

SHOWING

DEALERS' WINTER MARGINS ON HOUSEHOLD COAL

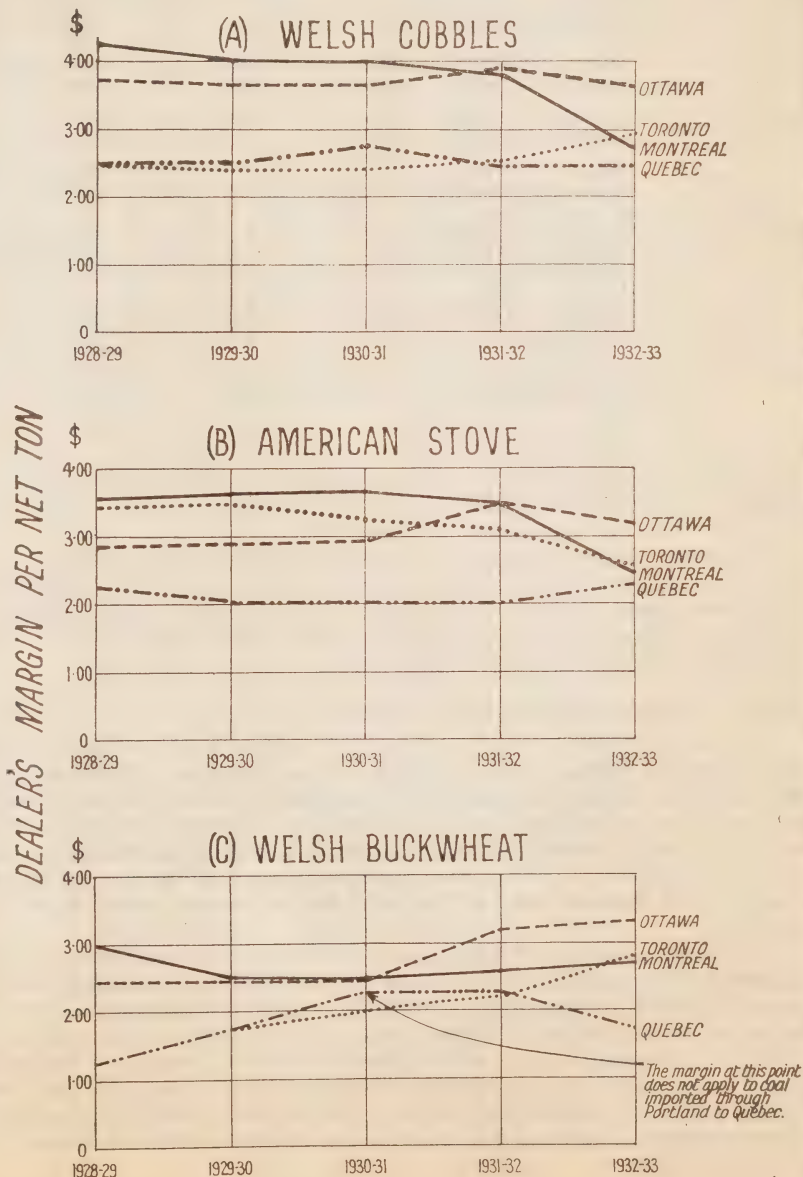
AT

MONTREAL, TORONTO, OTTAWA AND QUEBEC

ON WELSH COBBLES, AMERICAN STOVE AND WELSH BUCKWHEAT

NOTE :- (1) Margins are based on Circular Prices and do not take into account specially low margins obtainable when Welsh coal is handled through Portland and extra costs are partly passed direct to dealer.

(2) Quebec prices are top Circular, both wholesale and retail, and do not take into account "cuts" made either by the wholesaler to the dealer or by the dealer to the consumer.



Dealers' margins in the four cities of Montreal, Toronto, Ottawa and Quebec on Welsh, Scotch and American anthracite in comparable domestic and buckwheat sizes applying only to the winter seasons—when the bulk of retail coal sales is made—for the past five years are set out in the following schedule. These margins are determined on the basis of cash purchases by the dealers, and on cash circular prices, and are from information submitted during the inquiry.

City	Anthracite	Size	Dealers' Margin for Winter Season per Net Ton				
			1928-29	1929-30	1930-31	1931-32	1932-33
Montreal.....	Welsh.....	Cobbles.....	\$ 4.25	\$ 4.00	\$ 4.00	\$ 3.80	\$ 2.75
	Scotch.....	Cobbles.....		4.00	4.00	3.80	2.75
	American...	Stove.....	3.56	3.61	3.65	3.52	2.74
	Welsh.....	Buckwheat No. 1.....	3.00	2.50	2.50	2.60	2.70
	American...	“ No. 1.....	2.37	2.09	2.34	2.40	2.43
Toronto.....	Welsh.....	Cobbles.....	2.50	2.40	2.40	2.55	2.95
	American...	Stove.....	3.41	3.46	3.25	3.09	2.54
	Welsh.....	“Blower”.....		1.75	2.00	2.20	2.80
	American...	Buckwheat No. 1.....	3.03	3.25	3.25	2.81	2.54
Ottawa.....	Welsh.....	Cobbles.....	3.75	3.65	3.65	3.85	3.65
	Scotch.....	Cobbles.....	4.12	3.50	3.90	3.85	3.65
	American...	Stove.....	2.82	2.87	2.91	3.50	3.52
	Welsh.....	Buckwheat No. 1.....	2.45	1.35	2.45	3.20	3.30
	Scotch.....	“ No. 1.....	2.70	2.45	2.45	3.30	3.30
Quebec.....	American...	“ No. 1.....	2.93	3.37	3.15	3.24	2.99
	Welsh.....	Cobbles.....	2.50	2.50	2.75	2.25	2.25
	American...	Stove.....	2.25	2.00	2.00	2.00	2.25
	Welsh.....	Buckwheat.....	1.25	1.75	2.25	2.25	1.75
				(x)1.00			

(x) Lower margin applies to coal rail-hauled from Portland during February, March, and part of April, 1930.

Chart No. 2 visualizes the course of dealers' winter margins on Welsh cobbles, American stove and Welsh buckwheats in Montreal, Toronto, Ottawa and Quebec during the past five winters of this schedule, and leads at once to the question as to why there should be such a wide disparity in the margins at these centres of anthracite distribution.

Evolution in Retail Distribution of Anthracite

The striking disparity of margins just referred to is readily explainable in the light of a radical evolution which is taking place in the method whereby coal reaches the consumer—and which in Canada has been initiated and accelerated by the entry in large volume of British anthracite. The old established method of retail distribution, which applies as yet to all centres except those to which coal moves by water, was the development of the marketing of American anthracite through independent coal dealers over a period of at least half a century.

The independent or “legitimate” coal dealer owned his own yard and equipment and took delivery of coal in carloads on his own siding. He provided storage facilities for the stocks of the various coals necessary to meet his customers' demands, delivery being made when, where, and in the quantities ordered. His margins were so determined that all expenses, including those entailed through financing, yard overhead, storage, cartage, etc., would be covered, and also provide his profit. All anthracite handled passed through his yard except for certain tonnages delivered direct to the consumer from the cars on his siding.

Under this method of distribution the trade was confined almost entirely to dealers with substantial investments in yards and equipment. It is obvious that in large centres, particularly where the retail trade is overcrowded, the multiplicity of yards and excessive duplication of equipment thus provided makes for higher retail margins than if storage facilities and equipment for unloading from railway car, screening, and loading into delivery trucks were centralized in large units operated either by wholesalers or co-operatively by the retailers themselves. It is just such an evolution, which has reached different stages in Quebec, Montreal and Toronto, which in the main accounts for the disparity in dealers' margins at those places and at Ottawa.

Thus in Quebec, where the margins are narrowest, practically all anthracite, American as well as British, is brought in by water and stored on the importers' docks. It is true that some American anthracite does come in by rail direct to dealers, but not to sufficient extent to materially alter the situation whereby retail dealers no longer require yards of their own. As a matter of fact, they cannot afford to operate their own yards in competition with dealers who have no yards and who deliver direct from the importers' docks to the consumer, and thereby eliminate or substantially reduce their storage, handling, financing and degradation expenses.

The tendency is that in importing centres, the place of the "yard dealer" is being taken by the dealer with little capital investment, except perhaps in cartage equipment, operating from an office and with functions limited to the making of sales and collections, and arranging for delivery from the importers' docks—in many cases under contract with cartage companies. Another important factor in his replacement is the wagon dealer—usually referred to in the trade as the "snowbird" or "peddler"—who may own only a truck, and who may, and does, accept orders on margins only sufficient to pay himself wages in addition to his truck operating expenses including depreciation.

It is true that the wagon dealer is not a newcomer in the trade—in the past he operated in all large centres by purchasing his loads of coal from retail dealers who allowed a discount on retail prices sufficiently high to pay cartage costs and leave a margin for profit. His influence on retail margins—then of little moment—is of real importance at points where he can buy coal at the importer's dock or the wholesaler's yard at the same price, or practically so, as the yard dealer.

In addition to the new competition already referred to, the yard dealer is faced with another formidable factor under the changing conditions brought about by the importation and storage of anthracite on importers' docks, viz., retailing by the importer either direct or through subsidiary retail companies. Retail distribution by importers is already an accomplished fact in varying extent in Quebec, Montreal and Toronto.

It has already been shown that in the city of Quebec the evolution of retail distribution of anthracite has for all practical purposes reached the stage where retail deliveries are no longer made through the retailers' yards, and that retail margins no longer include either storage, yard, or financing expense or degradation losses.

In Montreal this change in retail distribution, while not yet at the Quebec stage, is rapidly approaching it. British anthracite is delivered in very large degree direct from the importers' docks by the retailer. Coke is similarly delivered direct from the LaSalle Coke plant by retail dealers. American anthracite is delivered in part direct from wholesalers' yards, but the bulk of that fuel sold by yard dealers is still received at and handled through their yards. As the importation of American anthracite dwindles—and its use in the city of Montreal is rapidly lessening through replacement by higher grade British anthracite at equal or lower prices—the time may come when these dealers will be unable to operate separate yards for only one class of fuel available at more

cheaply operated centralized yards maintained by American anthracite wholesalers or importers to supply the dealers without yards. As far as the consumer is concerned, the Quebec stage may be said to have arrived in Montreal since the retailers' margins required on anthracite delivered by the retailer from the importers' docks determine the prices which yard dealers must also accept whether the coal is handled through their own yards or not. Margins have fallen sharply on the basis of circular prices during the past year. On the basis of cut-prices actually made on many sales—stated in evidence as brought about by the delivery of coal direct from the docks—the margins were claimed to be ruinous to the dealers who have to provide for yard overhead.

Toronto is still to a large extent on the old basis of retail distribution although the effects of the entry of British anthracite and its delivery direct by the retailers from the docks is reflected in the margins of the latter part of 1932. Until that year British anthracite reached Toronto entirely by water and passed over the docks of two importers, one of which retailed almost exclusively, the other wholesaled exclusively. During 1932 a special rail freight of \$1.50 per ton from Montreal on anthracite was obtained and a substantial tonnage moved by rail to certain dealers who preferred the independence of operation secured through the use of their own yards. These dealers however had to meet the prices of the dock coal and their retail prices were no higher than those of dealers who were not subject to yard and handling expense. The bulk of the anthracite used in Toronto is American and is handled through dealers' yards. Similarly while a large tonnage of coke is imported over the docks, a large tonnage reaches the city by rail. Thus while most of the Toronto consumers obtain their domestic fuel through the old method of distribution, the new development is sufficiently advanced to have its effect on retailers' margins.

Ottawa is entirely dependent on the long established method of retail distribution by independent dealers operating their own yards, and circular margins have been maintained and even increased. Here again it was claimed that by reason of price-cutting the actual margins were much lower than those deduced from circular prices and that the profits, if any, accruing were not excessive.

Retailers' Costs of Anthracite, Circular Retail Prices, and Margins

Complete information as to comparative costs of British and American anthracite in comparable domestic and buckwheat sizes as placed in the hands of the retailer is given month by month from January 1928 to December 1932 for Montreal, Toronto, Ottawa, and Quebec in Tables 8 to 14 inclusive. These tables also give circular retail prices and the retailers' margins deduced therefrom. In the case of British coal the cost to the retailer is the cash wholesale price ex-dock where delivery is made from the dock by the retailer as in Montreal, Toronto and Quebec. The cost to the retailer in Ottawa is the cash wholesale out-of-town price plus freight.

For American coal the cost to the retailers includes price f.o.b. mines, freight, duty and excise taxes except in Quebec where the coal is taken as purchased from the local wholesaler and delivery made from his dock. The circular retail prices given are also on the cash basis and were furnished by one or more of the leading members of the coal trade in each of the centres.

TABLE 8—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES, AND MARGINS AT MONTREAL 1928-1932,

WELSH AND SCOTCH COBBLES AND AMERICAN STOVE

Costs and Prices on Cash Basis

Month and Year	WELSH COBBLES			SCOTCH COBBLES			AMERICAN ANTHRACITE, STOVE SIZE						
	Wholesale Price Ex Dock	Circular Retail Price	Dealer's Margin	Wholesale Price Ex Dock	Circular Retail Price	Dealer's Margin	Cash Price L.O.B. Mines	Duty	Excise Tax	Freight	Cost to Retailer	Circular Retail Price	Dealer's Margin
1928 Jan.....	13.50	16.50	3.00				8.26			4.43	12.69		
Feb.....	13.50	16.50	3.00				8.26			4.43	12.69		
Mar.....	13.50	16.50	3.00				8.26			4.43	12.69		
Apr.....	13.50	16.50	3.00				7.68			4.43	12.11		3.39
May.....	12.25	16.25	4.00				7.68			4.43	12.33	x15.50	3.17
June.....	12.25	16.25	4.00				7.90			4.43	12.33	15.75	3.42
July.....	12.50	16.25	3.75				7.90			4.43	12.33	15.75	3.42
Aug.....	12.50	17.00	4.50				8.13			4.43	12.56	16.25	3.69
Sept.....	12.75	17.00	4.25				8.13			4.43	12.56	16.25	3.69
Oct.....	12.75	17.00	4.25				8.26			4.43	12.69	16.25	3.56
Nov.....	12.75	17.00	4.25				8.26			4.43	12.69	16.25	3.56
Dec.....	12.75	17.00	4.25				8.26			4.43	12.69	16.25	3.56
1929 Jan.....	12.75	17.00	4.25				8.26			4.43	12.69	16.25	3.56
Feb.....	12.75	17.00	4.25				8.26			4.43	12.69	16.25	3.56
Mar.....	12.75	17.00	4.25				8.26			4.43	12.69	16.25	3.56
Apr.....	12.75	16.50	3.75				7.65			4.43	11.99	15.75	3.76
May.....	12.50	16.50	4.00	12.25	16.50	4.25	7.65			4.43	12.08	15.75	3.67
June.....	12.50	16.50	4.00	12.25	16.50	4.25	7.70			4.43	12.13	15.75	3.62
July.....	12.50	16.50	4.00	12.25	16.50	4.25	7.70			4.43	12.22	15.75	3.53
Aug.....	12.50	16.50	4.00	12.25	16.50	4.25	7.88			4.43	12.31	15.75	3.44
Sept.....	12.50	16.50	4.00	12.75	16.50	3.75	7.97			4.43	12.40	15.75	3.35
Oct.....	12.50	16.50	4.00	12.75	16.50	3.75	8.21			4.43	12.61	16.25	3.61
Nov.....	13.00	17.00	4.00	13.00	17.00	4.00	8.21			4.43	12.61	16.25	3.61
Dec.....	13.00	17.00	4.00	13.00	17.00	4.00	8.21			4.43	12.61	16.25	3.61

TABLE 8.—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES, AND MARGINS AT MONTREAL 1925-1932.
WELSH AND SCOTCH COBBLES AND AMERICAN STOVE—Cont

Month and Year	WELSH COBBLES				SCOTCH COBBLES				AMERICAN ANTHRACITE, STOVE SIZE					
	Wholesale Price Ex Dock	Circular Retail Price	Dealer's Margin	Wholesale Price Ex Dock	Circular Retail Price	Dealer's Margin	Cash Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Retailer	Circular Retail Price	Dealer's Margin	
1930 Jan.....	13.00	17.00	4.00	14.10	17.00	2.90	8.21	.....	.....	4.43	12.64	16.25	3.61
Feb.....	13.00	17.00	4.00	14.55	17.00	2.55	8.21	.....	.....	4.43	12.64	16.25	3.61
Mar.....	13.00	17.00	4.00	14.55	17.00	2.55	8.21	.....	.....	4.43	12.64	16.25	3.61
Apr.....	13.00	17.00	4.00	14.55	17.00	2.55	8.21	.....	.....	4.43	12.64	16.25	3.61
May.....	12.50	16.75	4.25	12.50	16.75	4.25	x7.68	.....	.....	4.43	12.11	16.00	3.89
June.....	12.50	16.75	4.25	12.50	16.75	4.25	7.55	.....	.....	4.43	11.98	16.00	4.02
July.....	12.75	16.75	4.00	12.75	16.75	4.00	7.68	.....	.....	4.43	12.11	16.00	3.89
Aug.....	12.75	16.75	4.00	12.75	16.75	4.00	7.82	.....	.....	4.43	12.25	16.00	3.75
Sept.....	13.00	16.75	3.75	13.00	17.00	4.00	8.17	.....	.....	4.43	12.60	16.25	3.65
Oct.....	13.00	17.00	4.00	13.00	17.00	4.00	8.17	.....	.....	4.43	12.60	16.25	3.65
Nov.....	13.00	17.00	4.00	13.00	17.00	4.00	8.17	.....	.....	4.43	12.60	16.25	3.65
Dec.....	13.00	17.00	4.00	13.00	17.00	4.00	8.17	.....	.....	4.43	12.60	16.25	3.65
1931 Jan.....	13.00	17.00	4.00	13.00	17.00	4.00	8.17	.....	.....	4.43	12.60	16.25	3.65
Feb.....	13.00	17.00	4.00	13.00	17.00	4.00	8.17	.....	.....	4.43	12.60	16.25	3.65
Mar.....	13.00	17.00	4.00	13.00	17.00	4.00	x7.97	.....	.....	4.43	12.40	16.25	3.65
Apr.....	11.90	15.50	3.60	11.90	15.50	3.60	6.80	.....	.....	4.43	11.23	14.75	3.52
May.....	11.85	15.50	3.65	12.10	15.50	3.40	7.00	.....	.....	4.43	11.43	14.75	3.32
June.....	12.05	15.50	3.45	12.30	15.50	3.20	7.20	0.40	0.08	4.43	12.11	14.75	3.64	
July.....	12.30	16.00	3.70	12.30	16.00	3.70	7.40	0.40	0.08	4.43	12.31	15.75	3.44	
Aug.....	12.50	16.00	3.50	12.50	16.00	3.50	7.60	0.40	0.08	4.43	12.51	15.75	3.24	
Sept.....	12.70	16.50	3.80	12.70	16.50	3.80	7.80	0.40	0.09	4.43	12.72	16.25	3.53	
Oct.....	12.70	16.50	3.80	12.70	16.50	3.80	7.80	0.40	0.09	4.43	12.72	16.25	3.53	
Nov.....	12.70	16.50	3.80	12.70	16.50	3.80	7.80	0.40	0.09	4.43	12.72	16.25	3.53	
Dec.....	12.70	16.50	3.80	12.70	16.50	3.80	7.80	0.40	0.10	4.43	12.73	16.25	3.52	

1832 Jan.....	12.70	16.50	3.80	12.70	16.50	3.80	7.80	0.40	0.10	x4.49	x12.79	16.25	3.46
Feb.....	12.70	16.50	3.80	12.70	16.50	3.80	7.80	0.40	0.10	x4.49	x12.79	16.25	3.46
Mar.....	12.70	16.50	3.80	12.70	16.50	3.80	6.80	0.40	0.08	x4.49	11.77	16.25	4.48
Apr.....	x12.70	16.50	3.80	12.70	16.50	3.80	6.80	0.23	0.23	x4.49	11.42	16.25	4.83
May.....	11.00	14.50	3.50	11.00	14.50	3.50	6.45	4.40	0.24	x4.49	11.58	14.75	3.17
June.....	11.25	14.50	3.25	11.25	14.50	3.25	6.45	0.40	0.24	x4.49	11.58	14.75	3.17
July.....	11.50	14.50	3.00	11.50	15.00	3.50	6.45	0.40	0.24	x4.49	11.58	15.25	3.67
Aug.....	11.50	14.50	3.00	11.50	15.00	3.50	6.65	0.40	0.25	x4.49	11.79	15.25	3.46
Sept.....	11.75	14.50	2.75	11.75	15.00	3.25	6.85	0.40	0.25	x4.49	11.99	15.25	3.26
Oct.....	11.75	14.50	2.75	11.75	15.00	3.25	7.05	x0.50	0.25	x4.49	x12.29	14.75	2.46
Nov.....	11.75	14.50	2.75	11.75	14.50	2.75	7.05	x0.50	0.27	x4.49	12.31	14.75	2.44
Dec.....	11.75	14.50	2.75	11.75	14.50	2.75	7.05	x0.50	0.27	x4.49	12.31	14.75	2.44

x Price change occurred during this month and not at first of month.

Note:—Price data furnished by the following: WELSH—Wholesale Prices, Canadian Import Company, Limited; Retail Prices, F. P. Weaver Coal Company, Limited. SCOTCH—Scotch Anthracite Coal Company, Limited. AMERICAN—Prices f.o.b. mines, freight, etc., F. P. Weaver Coal Company Limited; Retail Prices, The Elias Rogers Company, Limited.

TABLE 9—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES, AND MARGINS AT MONTREAL 1928-1932.
WELSH, SCOTCH AND AMERICAN BUCKWHEAT No. 1
Costs and Prices on Cash Basis

Month and Year	WELSH BUCKWHEAT NO. 1				SCOTCH BUCKWHEAT NO. 1				AMERICAN ANTHRACITE BUCKWHEAT NO. 1						
	Wholesale Price Ex Dock	Circular Retail Price	Dealer's Margin		Wholesale Price Ex Dock	Circular Retail Price	Dealer's Margin		Cash Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Dealer	Circular Retail Price	Dealer's Margin
1928 Jan.....	7.50	10.00	2.50						2.68			3.73	6.41		
Feb.....	7.50	10.00	2.50						2.68			3.73	6.41		
Mar.....	7.50	10.00	2.50						2.68			3.73	6.41		
Apr.....	7.50	10.00	2.50						2.68			3.73	6.41		
May.....	7.50	10.50	3.00						2.68			3.73	6.41		
June.....	7.50	10.50	3.00						2.68			3.73	6.41	9.00	2.59
July.....	7.50	10.50	3.00						2.68			3.73	6.41	9.00	2.59
Aug.....	7.50	10.50	3.00						2.68			3.73	6.41	9.00	2.59
Sept.....	7.50	10.50	3.00						2.90			3.73	6.63	9.00	2.37
Oct.....	7.50	10.50	3.00						2.90			3.73	6.63	9.00	2.37
Nov.....	7.50	10.50	3.00						2.90			3.73	6.63	9.00	2.37
Dec.....	7.50	10.50	3.00						2.90			3.73	6.63	9.00	2.37
1929 Jan.....	7.50	10.50	3.00						2.90			3.73	6.63	9.00	2.37
Feb.....	7.50	10.50	3.00						2.90			3.73	6.63	9.00	2.37
Mar.....	7.50	10.50	3.00						2.90			3.73	6.63	9.00	2.37
Apr.....	7.50	10.50	3.00						2.41			3.73	6.14	x8.50	2.36
May.....	7.50	10.00	2.50		7.75	10.00	2.25		2.41			3.73	6.14	x8.50	2.36
June.....	7.50	10.00	2.50		7.75	10.00	2.25		2.41			3.73	6.14	x8.50	2.36
July.....	7.50	10.00	2.50		7.75	10.00	2.25		2.41			3.73	6.14	x8.50	2.36
Aug.....	7.50	10.00	2.50		8.00	10.00	2.00		2.41			3.73	6.14	x8.50	2.36
Sept.....	7.50	10.00	2.50		8.00	10.00	2.00		2.41			3.73	6.14	x8.50	2.36
Oct.....	7.50	10.00	2.50		8.00	10.00	2.00		2.68			3.73	6.41	x8.50	2.09
Nov.....	7.50	10.00	2.50		8.00	10.00	2.00		2.68			3.73	6.41	x8.50	2.09
Dec.....	7.50	10.00	2.50		8.00	10.00	2.00		2.68			3.73	6.41	x8.50	2.09
1930 Jan.....	7.50	10.00	2.50		8.00	10.00	2.00		2.68			3.73	6.41	8.50	2.09
Feb.....	7.50	10.00	2.50		8.00	10.00	2.00		2.68			3.73	6.41	8.50	2.09
Mar.....	7.50	10.00	2.50		8.00	10.00	2.00		2.68			3.73	6.41	8.50	2.09
Apr.....	7.50	10.00	2.50		8.00	10.00	2.00		2.68			3.73	6.41	8.50	2.09
May.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34
June.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34
July.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34
Aug.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34
Sept.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34
Oct.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34
Nov.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34
Dec.....	8.00	10.50	2.50		8.00	10.50	2.50		2.68			3.73	6.41	8.75	2.34

1931 Jan.....	8.00	10.50	2.50	8.00	10.50	2.50	2.68	.....	3.73	6.41	8.75	2.34
Feb.....	8.00	10.50	2.50	8.00	10.50	2.50	2.68	.....	3.73	6.41	8.75	2.34
Mar.....	8.00	10.50	2.50	8.00	10.50	2.50	x2.68	.....	3.73	6.41	8.75	2.34
Apr.....	8.00	10.50	2.50	8.00	10.50	2.50	3.15	.....	3.73	6.88	9.35	2.47
May.....	x7.90	10.50	2.60	8.00	10.50	2.50	3.15	.....	3.73	6.88	9.35	2.47
June.....	7.90	10.50	2.60	8.00	10.50	2.50	3.15	0.40	3.73	7.32	9.35	2.03
July.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.73	7.32	9.75	2.43
Aug.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.73	7.32	9.75	2.43
Sept.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.73	7.32	9.75	2.43
Oct.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.73	7.32	9.75	2.43
Nov.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.73	7.32	9.75	2.43
Dec.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.73	7.32	9.75	2.43
1932 Jan.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.79	7.38	9.75	2.37
Feb.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.79	7.38	9.75	2.37
Mar.....	7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.79	7.38	9.75	2.37
Apr.....	x7.90	10.50	2.60	7.90	10.50	2.60	3.15	0.40	3.79	7.46	x9.75	2.29
May.....	7.65	10.25	2.60	7.65	10.25	2.60	3.15	0.40	3.79	7.46	10.00	2.54
June.....	7.65	10.25	2.60	7.55	10.25	2.70	3.15	0.40	3.79	7.47	10.00	2.53
July.....	7.65	10.25	2.60	7.55	10.25	2.70	3.15	0.40	3.79	7.47	10.00	2.53
Aug.....	7.55	10.25	2.70	7.55	10.25	2.70	3.15	0.40	3.79	7.46	10.00	2.54
Sept.....	7.55	10.25	2.70	7.55	10.25	2.70	3.15	0.40	3.79	7.46	10.00	2.54
Oct.....	7.55	10.25	2.70	7.55	10.25	2.70	3.15	x0.50	3.79	7.56	10.00	2.44
Nov.....	7.55	10.25	2.70	7.55	10.25	2.70	3.15	x0.50	3.79	7.57	10.00	2.43
Dec.....	7.55	10.25	2.70	7.55	10.25	2.70	3.15	x0.50	3.79	7.57	10.00	2.43

x Price change occurred during the month and not at first of month.

Note.—Price data furnished by the following: WELSH—Wholesale Prices, Canadian Import Company, Limited; Retail Prices, F. P. Weaver Coal Company, Limited. SCOTCH—Scotch Anthracite Coal Company, Limited. AMERICAN—Prices f.o.b. mines, freight, etc., F. P. Weaver Coal Company, Limited; Retail Prices, The Elias Rogers Company, Limited.

TABLE 10.—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES, AND MARGINS AT TORONTO, 1923-1932

WELSH COBBLES AND AMERICAN STOVE

Costs and Prices on Cash Basis.

Month and Year	WELSH COBBLES			AMERICAN ANTHRACITE STOVE SIZE						
	Wholesale Price Ex Dock	Circular Retail Price	Dealer's Margin	Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Dealer	Circular Retail Price	Dealer's Margin
1928 Jan.....				8.26			4.08	12.34	15.50	3.16
Feb.....				8.26			4.08	12.34	15.50	3.16
Mar.....				8.26			4.08	12.34	15.50	3.16
April.....				7.68			4.08	11.74	15.00	3.26
May.....				7.68			4.08	11.74	15.00	3.26
June.....	13.75	16.00	2.25	7.90			4.08	11.98	15.25	3.27
July.....	13.75	16.50	2.75	7.90			4.08	11.98	15.25	3.27
Aug.....	13.75	16.50	2.75	7.90			4.08	11.98	15.25	3.27
Sept.....	14.00	16.50	2.50	8.13			4.08	12.21	15.50	3.29
Oct.....	14.00	16.50	2.50	8.13			4.08	12.21	15.50	3.29
Nov.....	14.00	16.50	2.50	8.26			4.08	12.34	15.75	3.41
Dec.....	14.00	16.50	2.50	8.26			4.08	12.34	15.75	3.41
1929 Jan.....	14.00	16.50	2.50	8.26			4.08	12.34	15.75	3.41
Feb.....	14.00	16.50	2.50	8.26			4.08	12.34	15.75	3.41
Mar.....	14.00	16.50	2.50	8.26			4.08	12.34	15.75	3.41
April.....	14.00	16.50	2.50	7.56			4.08	11.64	14.90	3.26
May.....	14.25	16.50	2.25	7.65			4.08	11.73	15.00	3.27
June.....	14.25	16.50	2.25	7.70			4.08	11.78	15.10	3.32
July.....	14.35	16.75	2.40	7.79			4.08	11.87	15.20	3.33
Aug.....	14.35	16.75	2.40	7.88			4.08	11.96	15.30	3.34
Sept.....	14.35	16.75	2.40	7.97			4.08	12.05	15.40	3.35
Oct.....	14.60	17.00	2.40	8.21			4.08	12.29	15.50	3.21
Nov.....	14.60	17.00	2.40	8.21			4.08	12.29	15.50	3.21
Dec.....	14.60	17.00	2.40	8.21			4.08	12.29	15.50	3.46
1930 Jan.....	14.60	17.00	2.40	8.21			4.08	12.29	15.75	3.46
Feb.....	14.60	17.00	2.40	8.21			4.08	12.29	15.75	3.46
Mar.....	14.60	17.00	2.40	8.21			4.08	12.29	15.75	3.46
April.....	14.60	17.00	2.40	8.21			4.08	12.29	15.50	3.21
May.....	14.60	17.00	2.40	7.68x			4.08	11.76x	15.00	3.24
June.....	14.60	17.00	2.40	7.55			4.08	11.63	15.00	3.37
July.....	14.60	17.00	2.40	7.68			4.08	11.76	15.25	3.49
Aug.....	14.60	17.00	2.40	7.82			4.08	11.90	15.25	3.35
Sept.....	14.60	17.00	2.40	8.17			4.08	12.25	15.50	3.25
Oct.....	14.60	17.00	2.40	8.17			4.08	12.25	15.50	3.25
Nov.....	14.60	17.00	2.40	8.17			4.08	12.25	15.50	3.25
Dec.....	14.60	17.00	2.40	8.17			4.08	12.25	15.50	3.25
1931 Jan.....	14.60	17.00	2.40	8.17			4.08	12.25	15.50	3.25
Feb.....	14.60	17.00	2.40	8.17			4.08	12.25	15.50	3.25
Mar.....	14.60	17.00	2.40	8.17x			4.08	12.25	15.50	3.25
April.....	14.35	16.50	2.15	6.80			4.08	10.88	14.50	3.62
May.....	14.35	16.50	2.15	7.00			4.08	11.08	14.50	3.42
June.....	14.35	16.50	2.15	7.20	0.40	0.06	4.08	11.76	14.50	2.74
July.....	13.95	16.50	2.55	7.40	0.40	0.08	4.08	11.96	15.25	3.29
Aug.....	13.95	16.50	2.55	7.60	0.40	0.08	4.08	12.16	15.25	3.09
Sept.....	13.95	16.50	2.55	7.80	0.40	0.09	4.08	12.37	15.50	3.13
Oct.....	13.95	16.50	2.55	7.80	0.40	0.09	4.08	12.37	15.50	3.13
Nov.....	13.95	16.50	2.55	7.80	0.40	0.09	4.08	12.37	15.50	3.13
Dec.....	13.95	16.50	2.55	7.80	0.40	0.10	4.08	12.38	15.50	3.12
1932 Jan.....	13.95	16.50	2.55	7.80	0.40	0.10	4.14	12.44	15.50	3.06
Feb.....	13.95	16.50	2.55	7.80	0.40	0.10	4.14	12.44	15.50	3.06
Mar.....	12.95	15.50	2.55	6.80	0.40	0.08	4.14	11.42	14.50	3.08
April.....	12.95	15.50	2.55	6.30	0.40	0.23	4.14	11.07	14.50	3.43
May.....	12.05	15.00	2.95	6.45	0.40	0.24	4.14	11.23	14.50	3.27
June.....	12.05	15.00	2.95	6.45	0.40	0.24	4.14	11.23	14.50	3.27
July.....	12.05	15.00	2.95	6.45	0.40	0.24	4.14	11.23	14.50	3.27
Aug.....	12.05	15.00	2.95	6.65	0.40	0.25	4.14	11.44	14.50	3.06
Sept.....	12.05	15.00	2.95	6.85	0.40	0.25	4.14	11.64	14.50	2.86
Oct.....	12.05	15.00	2.95	7.05	0.50	0.25	4.14	11.94	14.50	2.56
Nov.....	12.05	15.00	2.95	7.05	0.50	0.27	4.14	11.96	14.50	2.54
Dec.....	12.05	15.00	2.95	7.05	0.50	0.27	4.14	11.96	14.50	2.54

x Price change occurred during the month.

Compiled from price data supplied by The Elias Rogers Company, Limited, and F. P. Weaver Coal Company, Limited.

TABLE 11.—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES AND MARGINS AT TORONTO, 1928 TO 1932

WELSH "BLOWER" AND AMERICAN BUCKWHEAT No. 1

Costs and Prices on Cash Basis.

Month and Year	WELSH "BLOWER" COAL			AMERICAN BUCKWHEAT No. 1						
	Wholesale Price Ex Dock	Circular Retail Price	Re- tailer's Margin	Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Dealer	Circular Retail Price	Re- tailer's Margin
1928 June.....				3.13			3.62	6.75	9.75	3.00
July.....				3.13			3.62	6.75	9.75	3.00
Aug.....				3.13			3.62	6.75	9.75	3.00
Sept.....				3.35			3.62	6.97	10.00	3.03
Oct.....				3.35			3.62	6.97	10.00	3.03
Nov.....				3.35			3.62	6.97	10.00	3.03
Dec.....				3.35			3.62	6.97	10.00	3.03
1929 Jan.....				3.35			3.62	6.97	10.00	3.03
Feb.....				3.35			3.62	6.97	10.00	3.03
Mar.....				3.35			3.62	6.97	10.00	3.03
April.....				2.84			3.62	6.46	9.75	3.29
May.....				2.84			3.62	6.46	9.75	3.29
June.....	8.25	10.00	1.75	2.84			3.62	6.46	9.75	3.29
July.....	8.25	10.00	1.75	2.84			3.62	6.46	9.75	3.29
Aug.....	8.35	10.25	1.90	2.84			3.62	6.46	9.75	3.29
Sept.....	8.35	10.25	1.90	2.84			3.62	6.46	9.75	3.29
Oct.....	8.75	10.50x	1.75	3.13			3.62	6.75	10.00	3.25
Nov.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
Dec.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
1930 Jan.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
Feb.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
Mar.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
April.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
May.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
June.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
July.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
Aug.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
Sept.....	8.75	10.50	1.75	3.13			3.62	6.75	10.00	3.25
Oct.....	9.00	11.00	2.00	3.13			3.62	6.75	10.00	3.25
Nov.....	9.00	11.00	2.00	3.13			3.62	6.75	10.00	3.25
Dec.....	9.00	11.00	2.00	3.13			3.62	6.75	10.00	3.25
1931 Jan.....	9.00	11.00	2.00	3.13			3.62	6.75	10.00	3.25
Feb.....	9.00	11.00	2.00	3.13			3.62	6.75	10.00	3.25
Mar.....	9.00	11.00	2.00	3.13x			3.62	6.75	10.00	3.25
April.....	8.75	10.50	1.75	3.60			3.62	7.22	10.00	2.78
May.....	8.75	10.50	1.75	3.60			3.62	7.22	10.00	2.78
June.....	8.75	10.50	1.75	3.60	0.40	0.04	3.62	7.66	10.00	2.34
July.....	8.55	10.50x	1.75	3.60	0.40	0.04	3.62	7.66	10.00x	2.34
Aug.....	8.55	11.00	2.45	3.60	0.40	0.04	3.62	7.66	10.50	2.84
Sept.....	8.80	11.00	2.20	3.60	0.40	0.04	3.62	7.66	10.50	2.84
Oct.....	8.80	11.00	2.20	3.60	0.40	0.04	3.62	7.33	10.50	2.84
Nov.....	8.80	11.00	2.20	3.60	0.40	0.04	3.62	7.66	10.50	2.84
Dec.....	8.80	11.00	2.20	3.60	0.40	0.04	3.62	7.66	10.50	2.84
1932 Jan.....	8.80	11.00	2.20	3.60	0.40	0.04	3.68	7.72	10.50	2.78
Feb.....	8.80	11.00	2.20	3.60	0.40	0.04	3.68	7.72	10.50	2.78
Mar.....	8.80	11.00	2.20	3.60	0.40	0.04	3.68	7.72	10.50	2.78
April.....	8.80x	11.00	2.20	3.60	0.40	0.12	3.68	7.72	10.50	2.69
May.....	7.70	10.50	2.80	3.15	0.40	0.12	3.68	7.35	10.00	2.65
June.....	7.70	10.50	2.80	3.15	0.40	0.13	3.68	7.35	10.00	2.65
July.....	7.70	10.50	2.80	3.15	0.40	0.13	3.68	7.35	10.00	2.65
Aug.....	7.70	10.50	2.80	3.15	0.40	0.12	3.68	7.35	10.00	2.65
Sept.....	7.70	10.50	2.80	3.15	0.40	0.12	3.68	7.35	10.00	2.65
Oct.....	7.70	10.50	2.80	3.15	0.50x	0.12	3.68	7.45	10.00	2.55
Nov.....	7.70	10.50	2.80	3.15	0.50	0.13	3.68	7.46	10.00	2.54
Dec.....	7.70	10.50	2.80	3.15	0.50	0.13	3.68	7.46	10.00	2.54

x Change in price occurred during the month.

Compiled from price data supplied by The Elias Rogers Company, Limited, and The F. P. Weaver Coal Company, Limited.

TABLE 12—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES, AND MARGINS AT OTTAWA 1928-1932
WELSH COBBLES, SCOTCH COBBLES, AND AMERICAN STOVE

Costs and Prices on Cash Basis

Month and Year	WELSH COBBLES					SCOTCH COBBLES					AMERICAN STOVE SIZE ANTHRACITE				
	Wholesale Price f.o.b. Montreal	Freight	Cost to Dealer	Circular Retail Price	Deal- er's Margin	Wholesale Price f.o.b. Montreal	Freight	Cost to Dealer	Circular Retail Price	Deal- er's Margin	Price f.o.b. Mines	Excise Tax	Duty	Freight	Cost to Retail Dealer
1928 Jan.	.....	1.50	14.75	18.50	3.75	.....	.....	.....	.....	.....	8.26	.....	.....	4.67	12.93
Feb.	.....	1.50	14.75	18.50	3.75	.....	.....	.....	.....	.....	8.26	.....	.....	4.67	12.93
Mar.	.....	1.50	14.75	18.50	3.75	.....	.....	.....	.....	.....	8.26	.....	.....	4.67	12.93
Apr.	.....	1.50	14.75	18.50	3.75	.....	.....	.....	.....	.....	7.68	.....	.....	4.67	12.35
May	.....	1.50	14.75	18.50	3.75	.....	.....	.....	.....	.....	7.68	.....	.....	4.67	12.35
June	.....	1.50	13.25	17.50	4.25	11.75	1.50	13.25	17.50	4.25	7.90	.....	.....	4.67	12.57
July	11.75	1.50	13.25	17.50	4.25	11.75	1.50	13.25	17.50	4.25	7.90	.....	.....	4.67	12.57
Aug.	11.75	1.50	13.25	17.50	4.00	11.75	1.50	13.25	17.50	4.25	7.90	.....	.....	4.67	12.57
Sept.	12.25	1.50	13.25	17.50	3.75	11.75	1.50	13.25	17.50	4.25	8.13	.....	.....	4.67	12.80
Oct.	12.25	1.50	13.25	17.50	3.75	11.75	1.50	13.25	17.50	4.25	8.26	.....	.....	4.67	12.93
Nov.	12.25	1.50	13.25	17.50	3.75	11.75	1.50	13.25	17.50	4.25	8.26	.....	.....	4.67	12.93
Dec.	12.25	1.50	13.25	17.50	3.75	11.75	1.50	13.25	17.50	4.25	8.26	.....	.....	4.67	12.93
1929 Jan.	12.25	1.50	13.25	17.50	3.75	12.00	1.50	13.50	17.50	4.00	8.26	.....	.....	4.67	12.93
Feb.	12.25	1.50	13.25	17.50	3.75	12.00	1.50	13.50	17.50	4.00	8.26	.....	.....	4.67	12.93
Mar.	12.25	1.50	13.25	17.50	3.75	12.00	1.50	13.50	17.50	4.00	8.26	.....	.....	4.67	12.93
Apr.	11.85	1.50	13.25	17.50	4.15	12.00	1.50	13.50	17.50	4.00	7.79	.....	.....	4.67	12.37
May	11.85	1.50	13.25	17.50	4.15	12.00	1.50	13.50	17.50	4.00	7.79	.....	.....	4.67	12.37
June	.....	1.50	13.25	17.50	4.15	12.00	1.50	13.50	17.50	4.00	7.84	.....	.....	4.67	12.51
July	.....	1.50	13.25	17.50	4.15	12.00	1.50	13.50	17.50	4.00	7.93	.....	.....	4.67	12.51
Aug.	12.10	1.50	13.60	17.50	3.90	12.00	1.50	13.50	17.50	4.00	8.02	.....	.....	4.67	12.69
Sept.	12.35	1.50	13.85	17.50	3.65	12.00	1.50	13.50	17.50	4.00	8.11	.....	.....	4.67	12.78
Oct.	12.35	1.50	13.85	17.50	3.65	12.00	1.50	13.50	17.50	4.00	8.21	.....	.....	4.67	12.88
Nov.	12.35	1.50	13.85	17.50	3.65	12.00	1.50	13.50	17.50	4.00	8.21	.....	.....	4.67	12.88
Dec.	12.35	1.50	13.85	17.50	3.65	12.50	1.50	14.00	17.50	3.50	8.21	.....	.....	4.67	12.88
1930 Jan.	.....	1.50	13.85	17.50	3.65	12.50	1.50	14.00	17.50	3.50	8.21	.....	.....	4.67	12.88
Feb.	13.75	1.50	15.25	17.50	2.25	12.50	1.50	14.00	17.50	3.50	8.21	.....	.....	4.67	12.88
Mar.	13.75	1.50	15.25	17.50	2.25	12.50	1.50	14.00	17.50	3.50	8.21	.....	.....	4.67	12.88
Apr.	.....	1.50	15.25	17.50	2.25	12.50	1.50	14.00	17.50	3.50	8.21	.....	.....	4.67	12.88
May	11.85	1.50	13.25	17.50	4.15	12.10	1.50	13.60	17.50	3.90	7.68	.....	.....	4.67	12.35
June	.....	1.50	13.25	17.50	4.15	12.10	1.50	13.60	17.50	3.90	7.55	.....	.....	4.67	12.22
July	12.10	1.50	13.60	17.50	3.90	12.10	1.50	13.60	17.50	3.90	7.68	.....	.....	4.67	12.35
Aug.	12.10	1.50	13.60	17.50	3.90	12.10	1.50	13.60	17.50	3.90	7.82	.....	.....	4.67	12.49
Sept.	12.35	1.50	13.85	17.50	3.65	12.10	1.50	13.60	17.50	3.90	7.95	.....	.....	4.67	12.62
Oct.	12.35	1.50	13.85	17.50	3.65	12.10	1.50	13.60	17.50	3.90	7.95	.....	.....	4.67	12.62
Nov.	12.35	1.50	13.85	17.50	3.65	12.10	1.50	13.60	17.50	3.90	8.17	.....	.....	4.67	12.84
Dec.	12.35	1.50	13.85	17.50	3.65	12.10	1.50	13.60	17.50	3.90	8.17	.....	.....	4.67	12.84

1931 Jan.	12.35	1.50	13.85	17.50	3.85	12.10	1.50	13.60	17.50	3.90	8.17	.....	4.67	12.84	15.75	2.91
Feb.	12.35	1.50	13.85	17.50	3.85	12.10	1.50	13.60	17.50	3.90	8.17	.....	4.67	12.84	15.75	2.91
Mar.	.....	1.50	13.85	17.50	3.85	12.10	1.50	13.60	17.50	3.90	8.17	.....	4.67	12.84	15.75	2.91
Apr.	.....	1.50	13.85	17.50	3.85	11.95	1.50	13.05	17.50	4.45	9.50	.....	4.67	11.67	13.20	4.38
May	11.30	1.50	12.80	17.50	4.70	11.55	1.50	13.05	17.50	4.45	9.50	.....	4.67	12.25	10.00	3.63
June	11.50	1.50	13.00	17.50	4.50	11.50	1.50	13.00	17.50	4.50	7.40	0.08	4.67	12.55	10.00	3.65
July	11.75	1.50	13.25	17.50	4.25	11.75	1.50	13.25	17.50	4.25	7.40	0.08	4.67	12.55	10.00	3.45
Aug.	11.95	1.50	13.45	17.50	4.05	11.95	1.50	13.45	17.50	4.05	7.40	0.08	4.67	12.75	10.00	3.45
Sept.	12.15	1.50	13.65	17.50	3.85	12.15	1.50	13.65	17.50	3.85	7.80	0.09	4.67	12.98	10.00	3.04
Oct.	12.15	1.50	13.65	17.50	3.85	12.15	1.50	13.65	17.50	3.85	7.80	0.09	4.67	12.98	10.00	3.54
Nov.	12.15	1.50	13.65	17.50	3.85	12.15	1.50	13.65	17.50	3.85	7.80	0.09	4.67	12.98	10.00	3.54
Dec.	12.15	1.50	13.65	17.50	3.85	12.15	1.50	13.65	17.50	3.85	7.80	0.10	4.67	12.97	10.00	3.53
1932 Jan.	12.15	1.50	13.65	17.50	3.85	12.15	1.50	13.65	17.50	3.85	7.80	0.10	x4.73	13.03	10.00	3.47
Feb.	12.15	1.50	13.65	17.50	3.85	12.15	1.50	13.65	17.50	3.85	7.80	0.10	x4.73	13.03	10.00	3.47
Mar.	12.15	1.50	13.65	17.50	3.85	12.15	1.50	13.65	17.50	3.85	7.80	0.08	x4.73	12.01	10.00	4.40
Apr.	11.00	1.50	12.50	16.75	5.00	11.00	1.50	12.50	16.75	5.00	6.30	0.23	x4.73	11.66	10.00	4.84
May	11.15	1.50	12.65	16.75	4.75	11.15	1.50	12.65	16.75	4.75	6.45	0.24	x4.73	11.82	15.25	3.43
June	11.30	1.50	12.80	16.75	4.50	11.30	1.50	12.80	16.75	4.50	6.45	0.24	x4.73	11.82	15.25	3.43
July	11.45	1.50	12.95	16.75	4.25	11.45	1.50	12.95	16.75	4.25	6.45	0.25	x4.73	11.82	15.25	3.43
Aug.	11.30	1.50	12.80	16.75	3.85	11.30	1.50	12.80	16.75	3.95	6.85	0.25	x4.73	12.03	15.25	3.22
Sept.	11.45	1.50	12.95	16.75	3.80	11.45	1.50	12.95	16.75	3.80	6.85	0.25	x4.73	12.23	15.75	3.52
Oct.	11.60	1.50	13.10	16.75	3.85	11.60	1.50	13.10	16.75	3.80	7.05	0.25	xx0.50	12.53	15.75	3.22
Nov.	11.60	1.50	13.10	16.75	3.85	11.60	1.50	13.10	16.75	3.65	7.05	0.27	.....	12.55	15.75	3.20
Dec.	11.60	1.50	13.10	16.75	3.85	11.60	1.50	13.10	16.75	3.65	7.05	0.27	.....	12.55	15.75	3.20

x January 4. xx October 12.
Compiled from price data supplied by John Heney & Son, Ottawa.

TABLE 13.—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES, AND MARGINS AT OTTAWA 1928-1932
WELSH, SCOTCH AND AMERICAN BUCKWHEAT No. 1

Costs and Prices on Cash Basis

Month and Year	WELSH BUCKWHEAT NO. 1					SCOTCH BUCKWHEAT NO. 1					AMERICAN BUCKWHEAT NO. 1				
	Wholesale Price f.o.b. Montreal	Freight Dealer	Cost to Dealer	Circular Retail Price	Deal-er's Margin	Wholesale Price f.o.b. Montreal	Freight Dealer	Cost to Dealer	Circular Retail Price	Deal-er's Margin	Price f.o.b. Mines	Duty	Excise Tax	Freight	Cost to Dealer
1928 Jan.....											2.90			3.92	6.82
Feb.....											2.90			3.92	6.82
Mar.....											2.90			3.92	6.82
Apr.....											2.68			3.92	6.60
May.....											2.68			3.92	6.60
June.....														3.92	6.60
July.....														3.92	6.60
Aug.....											3.68			3.92	6.60
Sept.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.90			3.92	6.82
Oct.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.90			3.92	6.82
Nov.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.90			3.92	6.82
Dec.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.90			3.92	6.82
1929 Jan.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.90			3.92	6.82
Feb.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.90			3.92	6.82
Mar.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.90			3.92	6.82
Apr.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.46			3.92	6.38
May.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70				3.92	6.38
June.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70				3.92	6.38
July.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70				3.92	6.38
Aug.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.46			3.92	6.38
Sept.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.46			3.92	6.38
Oct.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.46			3.92	6.38
Nov.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.46			3.92	6.38
Dec.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.46			3.92	6.38
1930 Jan.....	7.50	1.30	8.80	11.25	2.45	7.25	1.30	8.55	11.25	2.70	2.46			3.92	6.38
Feb.....	8.60	1.30	9.90	11.25	1.35	7.75	1.30	9.05	11.25	2.20	2.46			3.92	6.38
Mar.....	8.00	1.30	9.30	11.25	1.95	7.75	1.30	9.05	11.25	2.20	2.46			3.92	6.38
Apr.....	8.00	1.30	9.30	11.25	1.95	7.75	1.30	9.05	11.25	2.20	2.68			3.92	6.60
May.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60
June.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60
July.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60
Aug.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60
Sept.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60
Oct.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60
Nov.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60
Dec.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.68			3.92	6.60

1931 Jan.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.63	.....	3.92	6.60	9.75	3.15
Feb.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.63	.....	3.92	6.60	9.75	3.15
Mar.....	8.00	1.30	9.30	11.75	2.45	8.00	1.30	9.30	11.75	2.45	2.63	.....	3.92	6.60	9.75	3.15
Apr.....	7.90	1.30	9.20	12.00	2.80	7.90	1.30	9.20	12.00	2.80	3.15	.....	3.92	7.07	10.25	3.18
May.....	7.90	1.30	9.20	12.00	2.80	7.90	1.30	9.20	12.00	2.80	3.15	.....	3.92	7.51	10.25	3.24
June.....	7.90	1.30	9.20	12.00	2.80	7.90	1.30	9.20	12.00	2.80	3.15	0.04	3.92	7.51	10.25	3.24
July.....	7.90	1.30	9.20	12.00	2.80	7.90	1.30	9.20	12.00	2.80	3.15	0.04	3.92	7.51	10.25	3.24
Aug.....	7.90	1.30	9.20	12.00	2.80	7.90	1.30	9.20	12.00	2.80	3.15	0.04	3.92	7.51	10.25	3.24
Sept.....	7.90	1.30	9.20	12.00	2.80	7.90	1.30	9.20	12.00	2.80	3.15	0.04	3.92	7.51	10.25	3.24
Oct.....	7.90	1.30	9.20	12.50	3.20	7.90	1.30	9.20	12.50	3.20	3.30	0.04	3.92	7.51	10.25	3.24
Nov.....	7.90	1.30	9.20	12.50	3.20	7.90	1.30	9.20	12.50	3.20	3.30	0.04	3.92	7.51	10.25	3.24
Dec.....	7.90	1.30	9.20	12.50	3.20	7.90	1.30	9.20	12.50	3.20	3.30	0.04	3.92	7.51	10.25	3.24
1932 Jan.....	7.90	1.30	9.20	12.50	3.20	7.90	1.30	9.20	12.50	3.20	3.30	0.04	3.98	7.57	10.75	3.18
Feb.....	7.90	1.30	9.20	12.50	3.20	7.90	1.30	9.20	12.50	3.20	3.30	0.04	3.98	7.57	10.75	3.18
Mar.....	7.90	1.30	9.20	12.50	3.20	7.90	1.30	9.20	12.50	3.20	3.30	0.04	3.98	7.57	10.75	3.18
Apr.....	7.90	1.30	9.20	12.50	3.20	7.90	1.30	9.20	12.50	3.20	3.30	0.04	3.98	7.57	10.75	3.18
May.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	0.12	3.98	7.65	10.75	3.10
June.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	0.12	3.98	7.65	10.75	3.10
July.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	0.12	3.98	7.65	10.75	3.09
Aug.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	0.12	3.98	7.65	10.75	3.10
Sept.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	0.12	3.98	7.65	10.75	3.10
Oct.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	x0.50	3.98	x7.76	10.75	x3.00
Nov.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	x0.50	3.98	7.76	10.75	2.99
Dec.....	7.65	1.30	8.95	12.25	3.30	7.65	1.30	8.95	12.25	3.30	3.55	x0.50	3.98	7.76	10.75	2.99

xOctober 12.

Compiled from price data furnished by John Heney & Son, Ottawa.

TABLE 14—RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICES, AND MARGINS AT QUEBEC, 1928-1932

WELSH COBBLES, AMERICAN STOVE SIZE, AND WELSH BUCKWHEAT

Costs and Prices on Cash Basis

Month and Year	WELSH COBBLES				UNITED STATES STOVE COAL					WELSH BUCK WHEAT				
	Wholesale Price Ex Dock	Circular Retail Price	Retailer's Margin	Price f.o.b. Mines	Duty	Excise Tax	Freight <i>via</i> Atlantic Seaboard	Cost Alongside Dock	Wholesale Price Ex Dock	Circular Retail Price	Retailer's Margin	Wholesale Price Ex Dock	Circular Retail Price	Retailer's Margin
1928	January.....	13.50	16.50	3.00	8.26	.....	.....	.....	13.75	16.00	2.25	7.00	9.50	2.50
	February.....	13.75	16.50	2.75	8.26	.....	.....	.....	13.50	16.50	3.00	7.00	9.50	2.50
	March.....	13.75	16.50	2.75	8.26	.....	.....	.....	14.25	16.50	2.25	8.00	9.50	1.50
	April.....	13.75	16.50	2.75	7.68	.....	.....	.....	14.25	16.50	2.25	8.00	9.50	1.50
	May.....	13.50	16.25	2.75	7.68	.....	.....	.....	13.75	16.25	2.50	7.50	10.00	2.50
	June.....	13.50	16.25	2.75	7.68	.....	.....	.....	13.75	16.25	2.50	7.50	10.00	2.50
	July.....	13.50	16.00	2.50	7.90	.....	.....	.....	13.50	16.00	2.50	7.50	10.50	3.00
	August.....	13.50	16.00	2.50	7.90	.....	.....	.....	13.50	16.00	2.50	7.75	8.75	1.00
	September.....	13.50	16.00	2.50	8.13	.....	.....	.....	13.50	16.00	2.50	7.75	9.00	1.25
	October.....	13.50	16.00	2.50	8.13	.....	.....	.....	13.50	16.00	2.50	7.50	8.75	1.25
	November.....	13.50	16.00	2.50	8.26	.....	.....	.....	13.75	16.00	2.25	7.50	8.75	1.25
	December.....	13.50	16.00	2.50	8.26	.....	.....	.....	13.75	16.00	2.25	7.75	8.75	1.00
1929	January.....	13.50	16.00	2.50	8.26	.....	.....	.....	13.75	16.00	2.25	7.25	8.50	1.25
	February.....	13.50	16.00	2.50	8.26	.....	.....	.....	13.75	16.00	2.25	7.00	8.75	1.75
	March.....	13.50	16.00	2.50	8.26	.....	.....	.....	13.75	16.00	2.25	7.00	8.75	1.75
	April.....	13.50	16.00	2.50	7.56	.....	.....	10.68	13.75	16.00	2.25	7.00	8.75	1.75
	May.....	13.50	15.50	2.00	7.65	.....	3.12	10.77	13.00	15.50	2.50	7.00	8.75	1.75
	June.....	13.50	15.50	2.00	7.70	.....	3.12	10.82	13.00	15.50	2.50	7.00	8.75	1.75
	July.....	13.00	15.50	2.50	7.79	.....	3.12	10.91	13.00	15.50	2.50	7.00	8.75	1.75
	August.....	13.00	15.50	2.50	7.88	.....	3.12	11.00	13.00	15.50	2.50	7.00	8.75	1.75
	September.....	13.00	15.50	2.50	7.97	.....	3.12	11.09	13.25	15.50	2.25	7.50	9.00	1.50
	October.....	13.50	16.00	2.50	8.21	.....	3.12	11.33	13.50	15.50	2.00	7.75	9.50	1.75
	November.....	13.50	16.00	2.50	8.21	.....	3.12	11.33	13.50	15.50	2.00	7.75	9.50	1.75
	December.....	13.50	16.00	2.50	8.21	.....	.....	.....	13.50	15.50	2.00	7.75	9.50	1.75
1930	January.....	13.50	16.00	2.50	8.21	.....	.....	.....	13.50	15.50	2.00	7.75	9.50	1.75
	February.....	13.50	16.00	2.50	8.21	.....	.....	.....	13.50	15.50	2.00	9.00	10.00	1.00
	March.....	13.50	16.00	2.50	8.21	.....	.....	.....	13.50	15.50	2.00	9.00	10.00	1.00
	April.....	13.50	16.00	2.50	8.21	.....	3.12	11.33	13.50	15.50	2.00	9.00	10.00	1.00
	May.....	13.50	15.50	2.00	7.46	.....	3.12	10.58	13.50	15.50	2.00	7.75	10.00	2.25
	June.....	13.50	15.50	2.00	7.55	.....	3.12	10.67	13.50	15.50	2.00	7.75	10.00	2.25

1931	August.....	12.50	15.50	3.00	7.82	.....	.....	3.12	10.94	13.50	15.50	2.00	7.75	10.00	2.25
	September.....	12.75	15.50	2.75	8.17	.....	.....	3.12	11.29	13.50	15.50	2.00	7.75	10.00	2.25
	October.....	12.75	15.50	2.75	8.17	.....	.....	3.12	11.29	13.50	15.50	2.00	7.75	10.00	2.25
	November.....	12.75	15.50	2.75	8.17	.....	.....	3.12	11.29	13.50	15.50	1.50	7.75	10.00	2.25
	December.....	12.75	15.50	2.75	8.17	.....	.....	.....	.....	13.50	15.00	1.50	7.75	10.00	2.25
	January.....	12.50	15.50	3.00	8.17	.....	.....	.....	.....	13.50	15.50	2.00	7.75	10.00	2.25
	February.....	12.75	15.50	3.00	8.17	.....	.....	.....	.....	13.50	15.50	2.00	8.00	10.00	2.00
	March.....	12.50	15.50	3.00	7.97	.....	.....	.....	.....	13.00	15.50	2.25	7.75	10.00	2.25
	April.....	12.75	15.50	2.75	6.80	.....	.....	3.12	9.92	13.25	15.50	2.50	7.75	10.00	2.25
	May.....	12.75	15.50	2.75	7.00	.....	.....	3.12	10.12	13.00	15.50	2.50	7.75	10.00	2.25
	June.....	12.50	15.00	2.50	7.20	0.40	0.08	3.12	10.80	12.50	15.50	3.00	7.75	9.50	1.75
	July.....	12.50	15.00	2.50	7.40	0.40	0.08	3.12	11.20	13.45	15.50	2.05	7.75	9.50	1.75
	August.....	12.75	15.00	2.25	7.60	0.40	0.08	3.12	11.41	13.65	15.50	1.85	7.75	9.50	1.75
	September.....	13.00	15.50	2.50	7.80	0.40	0.09	3.12	11.41	13.85	15.50	1.65	7.75	10.00	2.25
	October.....	13.00	15.00	2.00	7.80	0.40	0.09	3.12	11.41	13.50	15.50	2.00	7.75	10.00	2.25
	November.....	13.00	15.50	2.50	7.80	0.40	0.09	3.12	11.41	13.50	15.50	2.00	7.75	10.00	2.25
	December.....	13.00	15.00	2.00	7.80	0.40	0.10	.....	.....	13.50	15.50	2.00	7.75	10.00	2.25
1932	January.....	13.00	15.25	2.25	7.80	0.40	0.10	.....	.....	13.50	15.50	2.00	7.75	10.00	2.25
	February.....	13.50	15.50	2.00	7.80	0.40	0.10	.....	.....	13.50	15.50	2.00	7.75	10.00	2.25
	March.....	13.50	15.50	2.00	6.80	0.40	0.08	.....	.....	13.50	15.50	2.00	7.75	10.00	2.25
	April.....	13.50	15.50	2.00	6.30	0.40	0.23	3.18	10.11	13.50	15.50	2.00	7.75	10.00	2.25
	May.....	12.00	14.50	2.50	6.45	0.40	0.24	3.18	10.27	12.00	14.50	2.50	7.00	9.50	2.50
	June.....	12.00	14.50	2.50	6.45	0.40	0.24	3.18	10.27	12.00	14.50	2.50	7.00	9.50	2.50
	July.....	12.00	14.50	2.50	6.45	0.40	0.24	3.18	10.27	12.00	14.50	2.50	7.00	9.50	2.50
	August.....	12.25	14.50	2.25	6.45	0.40	0.25	3.18	10.28	12.25	14.50	2.25	7.00	9.50	2.00
	September.....	12.25	14.50	2.25	6.85	0.40	0.25	3.18	11.68	12.25	14.50	2.25	7.75	9.50	1.75
	October.....	12.25	14.50	2.25	7.05	0.50	0.25	3.18	11.88	12.25	14.50	2.25	7.75	9.50	1.75
	November.....	12.25	14.50	2.25	7.05	0.50	0.27	3.18	11.90	12.25	14.50	2.25	7.25	9.00	1.75
	December.....	12.25	14.50	2.25	7.05	0.50	0.27	.....	.....	12.25	14.50	2.25	7.25	9.00	1.75

Compiled from price data supplied by The Canadian Import Company Limited, Quebec, except prices f.o.b. mines of American coal supplied by The F. P. Weaver Coal Company, Limited, Montreal.

Montreal

Chart No. 3 presents graphically the data of Tables 8 and 9 for the city of Montreal and shows at a glance the trend of retailers' margins and their derivation on Welsh cobbles and Buckwheat No. 1 as compared with American stove and Buckwheat No. 1 respectively. It illustrates the range in prices throughout the year, originating in the American practice of lowering prices f.o.b. mines of domestic sizes in the spring to encourage summer buying, and gradually stepping them up until early autumn to the point where they remain firm throughout the winter.

It also shows that in fixing circular prices the Montreal retailer passes a very substantial portion of these summer reductions on to the consumer. This practice of "stepping up" retail prices of British domestic sizes during the summer was departed from during 1932, although the retail price schedules issued in the spring did provide for the usual summer advances. Dealer competition for business was so keen however that many dealers continued to accept orders at the spring prices for Welsh domestic sizes after the higher summer prices had become effective. The Elias Rogers Co. Ltd., one of the largest retailers in the city, decided that their customers were entitled openly to the price concessions thus being given under cover by other dealers, and in July advertised the fact that all customers would receive the benefit of spring prices—those who had purchased at higher prices to receive the necessary rebates. This action resulted in the scrapping of the graduated schedule of retail prices insofar as it applied to Welsh domestic sizes, and the Montreal consumer has benefited accordingly. This price cut has been entirely at the expense of the retailer, as the usual graduated schedule of wholesale prices was maintained. The prices of Scotch anthracite in domestic sizes were not immediately affected and the higher midsummer retail price scale was continued during the summer. However, in order to make sales the Scotch was again priced in line with Welsh in September. The effect of this dealer competition which so disturbed the orderly arrangement for inducing sales during the summer was to secure to the consumer Welsh and latterly Scotch domestic sizes at prices lower than for American, which had sold at identical prices (for Egg size) in the spring but which had been progressively increased in retail price during the summer following the rising prices f.o.b. mines.

The retailing of Welsh Buckwheats has been subject to the keenest kind of price cutting in Montreal for several years. The weight of evidence was to the effect that only a small volume of sales was made at circular prices. So keen has this competition been that sales were being made at margins which the importers regarded as disastrous to the trade, and which they stated was seriously endangering the credit standing of the dealers to whom they sold the buckwheats. Various schemes and devices whereby excessive price cutting might be eliminated were considered but it was not until in May of 1932 that the "referee" arrangement, dealt with fully later in the report, was put into operation—and abandoned after little more than eight weeks.

The element of combination among importers of British anthracite and retailers in setting up price schedules, both wholesale and retail, each spring, was subjected to thorough investigation and is also dealt with separately.

It is evident in the light of retailers' margins over the period of five years covered by Chart No. 3 that during the past six months the Montreal consumer of British anthracite has no legitimate complaint that the dealer is charging an excessive toll for his services. The margin on domestic sizes of British anthracite based on circular prices is over 25 per cent lower than that of the preceding winter, and roughly 30 per cent lower than that of two winters ago. In view of this fact and of the obvious lack of opportunity for the taking of excessive profits by dealers under present conditions it was apparent that the

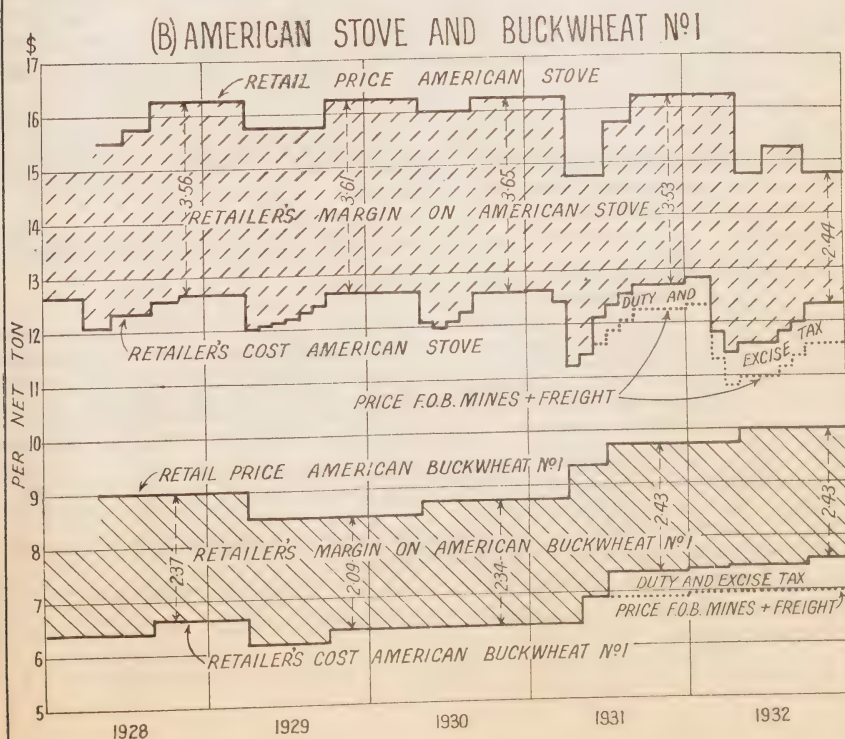
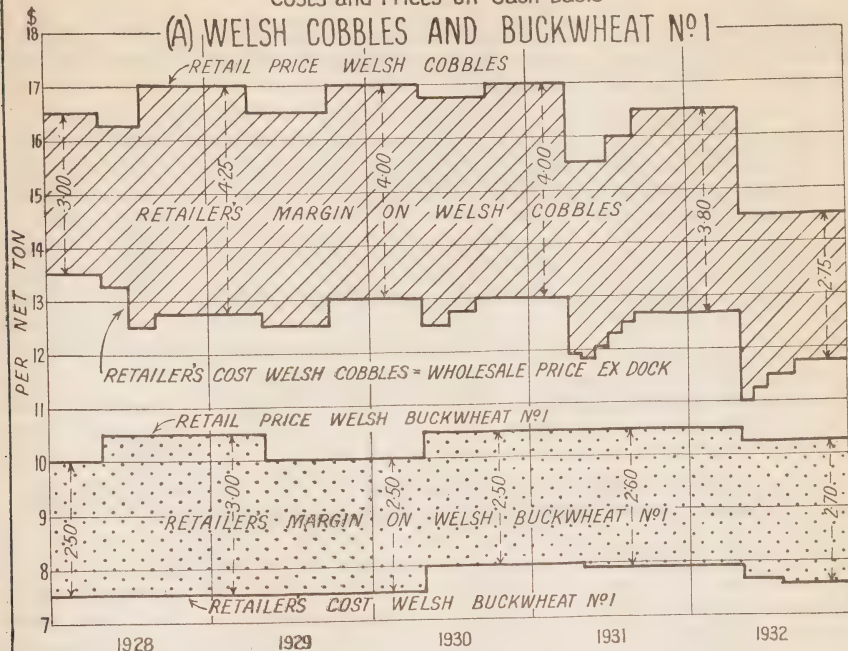
CHART No3

SHOWING

RETAILERS' ANTHRACITE COSTS, RETAIL PRICES, AND MARGINS

MONTREAL 1928-1932

Costs and Prices on Cash Basis



exact determination of such profits of representative retailers insofar as their British anthracite operations were concerned was unnecessary.

Analysis of Retailing Costs of a typical Montreal Retailer delivering British Anthracite direct from the Importers' Docks

The following set up of retailing costs per ton was compiled from a statement submitted in evidence by a representative dealer showing the breakdown of his retailing costs on his total tonnage:

Operating Costs:	\$ per ton
Office salaries.....	•171
Interest charges at 6 per cent.....	•107
Loss of coal through degradation and shortage.....	•085
Yard investment at 6 per cent.....	•069
Depreciation.....	•029
Operating costs of automobiles for salesmen.....	•051
Bad debts.....	•036
Miscellaneous, including audit costs, advertising, telephone, insurance, etc.....	•140
	<hr/> 0.688
Selling Costs:	
Average paid to salesmen for actual sales amounted to 0.72 cents or, on basis of total tonnage handled by retailer, to.	0.334
Cartage:	
Average per ton.....	0.930
	<hr/>
Average total retailing costs of all coals sold.....	\$1.952 per ton
This figure does not include a salary charge to the dealer himself.	

Retailing of Small Orders

Several retailers were questioned as to prices charged on small orders of British anthracite. It was pointed out that the complaint had been made in the press that consumers who could afford to buy coal in lots of only one or two hundred pounds at a time were being charged excessive prices. The evidence on this point was that small orders were delivered during the present winter at prices of 80 cents per hundred pounds for domestic sizes in bags, or at the rate of \$16.00 per ton—the regular price of which was \$14.50 per ton. The explanation as to the higher price was the higher proportionate costs of handling such small orders. Small orders meant separate trips by the delivery carts. This with bagging costs accounted for the extra cost. One dealer gave evidence on this phase of the retail business as follows:

"Q. Do you do much of your business in less than ton lots?—A. A little, but more especially at this time of the year. We get small orders for one bag or two or three bags and five bags.

"Q. What do you sell one bag for?—A. 80 cents.

"Q. Which is 100 pounds?—A. Yes.

"Q. Do you make more or less on your small sales?—A. Well, I can tell you we don't make much because there is the same work involved whether we sell one bag or one ton, because there is the same cost of delivery and it requires the same amount of work in the office. We have to make an entry for one bag just the same as we have to do for one ton. We have to issue a ticket for one bag just the same as for a ton.

"Q. You are selling 100 pound lots for \$16.00 a ton?—A. It would be \$15.00 because it is mostly bagged you see.

"Q. Is that the current price for bagged coal in small lots—80 cents a bag?—A. It is, but some people are selling it a little cheaper, but they sell by the bag and not by weight. Ours is all sold by weight.

"Q. Is there anybody selling at a higher price than 80 cents?—A. I know of only one instance where they were selling it at 90 cents.

"Q. Would it be more profitable to sell in ton lots than in 100 pounds lots?—A. Surely.

"Q. Your cost of cartage must have been much more?—A. Oh yes, we have to go the same distance for one bag as we do for one ton.

"Q. It is an expensive way to buy, and an expensive way to sell, isn't it?—A. That is it exactly. . . ." (Evidence, p. 3827).

From this evidence it is apparent that the small consumer is not being exploited by the dealer—who is charging less for his services on this class of trade than on his general business.

Toronto

Chart No. 4 pictures the detailed data of Tables 10 and 11 as to retailers' costs, circular prices, and margins on Welsh cobbles and "Blower" coal as compared with those of American stove and Buckwheat No. 1.

It is seen at a glance that on American stove the retailers have passed along to the consumer the lower summer prices set by the American mine operators to encourage summer buying; also that whereas the margins on American stove have remained fairly steady from 1928 to the summer of 1932 slightly above and below \$3.25 per ton they have been decreased to \$2.54 per ton during the past winter. This decrease has been effected by the maintenance of the spring retail price—the dealer absorbing not only the usual summer increases in the prices f.o.b. mines but also the increases in duty and excise tax imposed during the year. On the other hand the margin on Welsh cobbles which has varied about \$2.50 per ton since 1928 was increased to \$2.95 per ton in the early summer of 1932. Had the margin not been reduced on American the two coals would have been selling at practically the same price. As it is the premium at which Welsh sold over American—as high as \$2.00 in April, May and June 1931—has been reduced to 50 cents per ton.

The Toronto consumer has accordingly enjoyed a decided price benefit since May 1932, no matter which anthracite he used, through the drop in the retail price of the British product, although the retailer of that coal has also enjoyed a 40 cent increase in margin—which partially balances his decrease in margin on American.

As already mentioned Welsh anthracite in Toronto has been handled entirely over the docks by two importers until last summer when a substantial volume moved into the city by rail. Milnes Coal Company, importing direct from Wales, are for all practical purposes retailers solely, which left the wholesaling of Welsh entirely with the other importer—The F. P. Weaver Coal Company, Limited—a situation which does not meet the approval of trade at large in that it makes for dependence on a single source of supply. The dealers who took advantage of the special rail rate to obtain their supplies from Montreal are now fully satisfied with the changed situation in this respect.

No Combination to fix Retail Prices

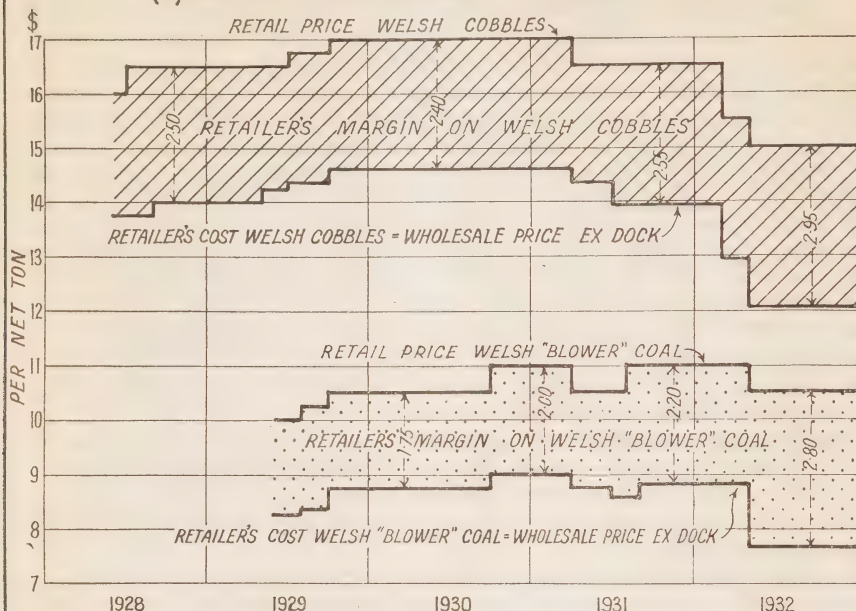
No evidence was forthcoming which would indicate in any way that retail prices were fixed in Toronto as the result of combination among dealers. The Toronto Retail Coal Conference is an association of Toronto dealers operating mainly as a credit bureau—the question of prices not being a matter with which it is concerned in any way except in the issue to members from time to time of a list of current prices as compiled from information secured from the dealers. The practice appears to be that each spring after new wholesale prices for the coming year are announced, both British and American—the latter being invariably announced first—the dealers generally mark time until one or two of the leading dealers announce their new price schedules. The prices so set are followed by the other dealers and any lower prices which might be obtained by consumers are cuts or price concessions on these circular prices. In Toronto, the evidence pointed largely to Milnes as being the dealer who initiates the price schedules on Welsh anthracite while The Elias Rogers Company is one of the leaders in announcing prices on American.

CHART No 4

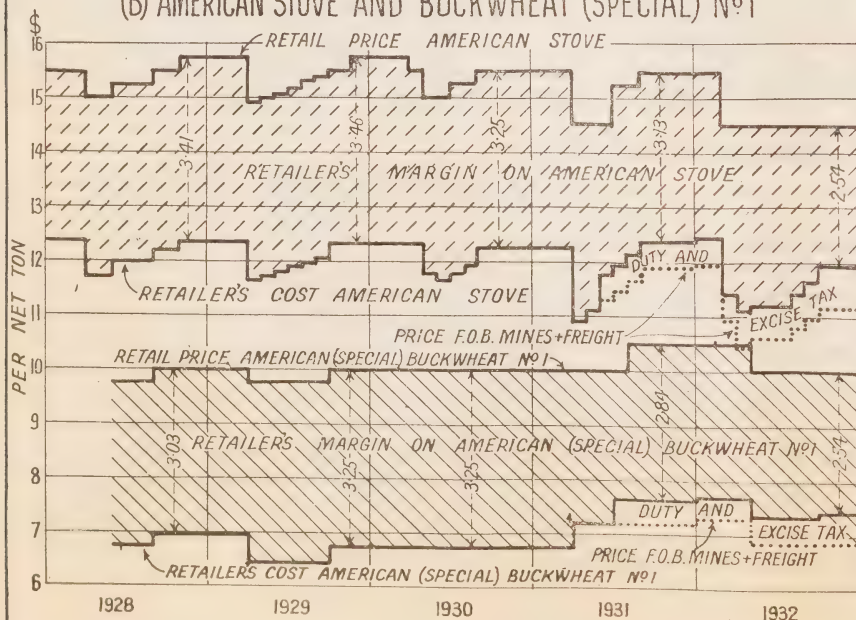
SHOWING

RETAILERS' ANTHRACITE COSTS, RETAIL PRICES, AND MARGINS TORONTO 1928-1932

(A) WELSH COBBLES AND "BLOWER" COAL



(B) AMERICAN STOVE AND BUCKWHEAT (SPECIAL) No 1



Retailing of Anthracite in Toronto

The retailing of coal in Toronto is subject to civic control, dealers being required to take out licences which can be obtained only when certain provisions of the by-law requiring the applicant to be in possession of a yard and scales have been satisfied. The by-law also requires that the dealer shall weigh his coal over his own scales—which would work a real hardship on the dealer delivering orders direct from the importers' dock—if it were enforced in that particular. The purpose of the by-law was apparently to eliminate the irresponsible peddler or snowbird and confine the business to the responsible independent dealer with yards. It was stated in evidence however that the peddler is active—that the by-law might be circumvented by one of a group complying with the requirements of yard and scales, issuing tickets to the others who then were free to operate as "peddlers". These peddlers operating with little overhead expense are able to, and do, cut circular prices to a degree which the yard dealer has difficulty in meeting.

It must also be emphasized that the changing method of retailing anthracite discussed early in the chapter has had a material effect on the lowering of retail margins generally in Toronto in the latter part of 1932. The margins on Welsh cobbles had been roughly about \$2.50 per ton since 1928—and it is reasonable to assume that with such a margin retail dealers were making at least as large profits in handling that fuel from the docks direct to the consumer and thus without any storage or yard expense or degradation loss as they were on American anthracite handled in their yards with such additional expenses at the ruling margin of some \$3.25 per ton. Had that not been the case there would have been no inducement for the handling of the Welsh. One point was clearly brought out, however, namely; that Toronto dealers generally were not favourable to the introduction of British coal to that market—mainly on the grounds that it was not economically feasible. It was only the public demand which induced them to undertake its sale. Their reluctance to handle it is readily understandable in view of the reorganization of the trade which it entails and which may ultimately lead to the scrapping of his expensive investment in yards and storage equipment if British anthracite supplies the bulk of the anthracite needs of his customers.

Retailing Costs

One feature in which Toronto differs from the other centres investigated in the matter of delivery to consumers is delivery of anthracite in bags. Not only has the Toronto consumer become accustomed to that method of placing anthracite in his cellar, but it was pointed out that buildings were not planned to facilitate delivery loose or in bulk. The retailer thus is put to the added cost of bagging and "man-handling" from truck to cellar—for which an additional charge of fifty cents per ton was made until a few years ago when some dealers undertook to assume the extra cost themselves—to be followed in course by the trade generally.

One large dealer, in evidence, gave the following as his retail costs as determined from his accounts for the year ending March, 1932:

1. Yard costs, including all costs connected with the yard, handling and storage of coal, taxes, etc.....	.88 per ton
2. Administration, which would include all selling, office and other costs not related to yard expenses.....	1.00 "
3. Trucking or delivery costs.....	.75 "
Total.....	\$2.63 "

This retailer used hired trucks for delivery, and explained that the yard costs of handling Welsh coal would be higher than those given because of the

necessity of handling by hand to reduce breakage instead of using the mechanical equipment installed for unloading and handling the harder American product.

From the division of costs given the inference might fairly be made that if the retailing of American anthracite through yards costs \$2.63 per ton, the cost of retailing British delivered direct from the importers' docks would be \$2.63 less 0.88 yard costs or \$1.75 per ton. In that connection the extra haulage from the waterfront and possible waiting at the importers' chutes for loads would in all probability materially increase the cartage costs as given.

Ottawa

Chart No. 5 prepared from the data relating to dealers' margins of Tables Nos. 12 and 13 presents an illuminating picture of the Ottawa consumers' situation. Margins based on circular retail prices have been exceedingly well maintained throughout the past five years, and those of the last year are out of line with those at the other centres investigated. No portion of the summer price concessions given by both the British anthracite importers and the American anthracite operators to encourage summer buying has been passed along to the consumer except for American domestic sizes during the summers of 1931 and 1932.

It was further brought out in evidence that the circular cash price was in fact also a credit price—that the credit circular price higher than the cash price by 50 cents on domestic sizes was not effective. No portion of the benefits accruing from cash business was passed on to the cash customer, at least by some dealers.

The explanation offered by one of the leading retailers for the high prices and for the failure to give special summer prices in line with wholesale summer prices was as follows:

"Well, if we felt that we could have moved extra tonnage during the summer we would have lowered that price; but if we had lowered the price, the lowered price would prevail all year, so that we would have had difficulty in putting it out to a figure that would give us a fair return. If you eliminate the first explanation and say the second condition is the same in the other places, then it comes down to the third point, that there is more shopping done in Ottawa and that a larger percentage buy at a price that does not net the dealer a fair margin, and that the ordinary householder has to buy at a higher price than he otherwise would."¹

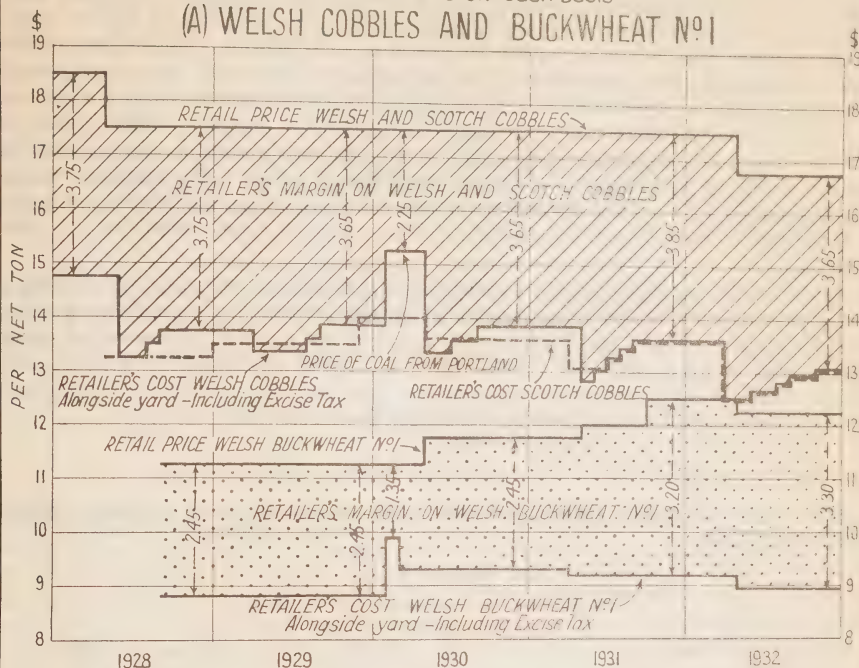
"Q. We find there is a lot of shopping in both Montreal and Toronto, a great deal of shopping?—A. That may be, but I know, take for a period of four years, our price of Pennsylvania Anthracite was the same summer and winter. Why was that? We would have much preferred to have had a higher price in the winter, but due to unfair competition, due to the plentiful supply of coal, we were already on a summer margin and the result was that the summer margin remained throughout the year. Two years ago, in the spring of 1931, we were anxious to get away from the stated price throughout the year, and we said—now how much lower can we make the price; and due to the fact that we were already on a summer margin we were only able to make a reduction in our price on Pennsylvania stove from \$15.75 to \$15. Then in June when the duty went on, the price went from \$15 to \$16; then with the other factors, it went in the winter to \$16.50. So if we could get at a figure where we would be able to drop the price the following spring it would be all right, but for four years the same price remained summer and winter."

It was contended further that many sales were made below circular price, particularly on institutional business, also that municipal, school-board and government orders were tendered on and filled at exceedingly narrow margins—

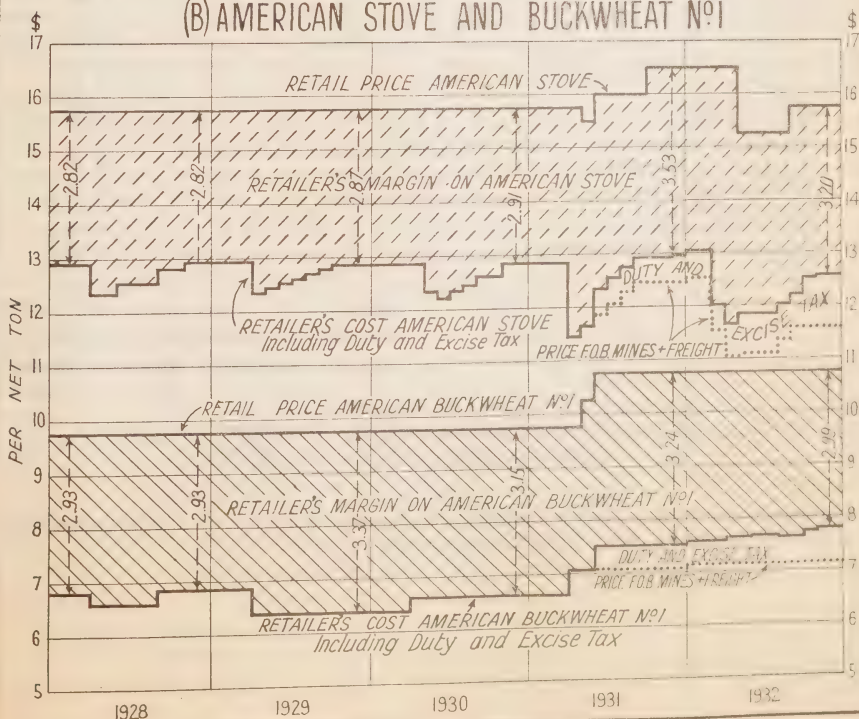
¹The first explanation referred to by the witness was that the low margins elsewhere compared with the Ottawa margins were not fair margins, and the second condition referred to was the tendency of the consumer to defer summer buying.

CHART N°5
SHOWING
RETAILERS' ANTHRACITE COSTS, RETAIL PRICES, AND MARGINS
OTTAWA 1928-1932
Costs and Prices on Cash Basis

(A) WELSH COBBLES AND BUCKWHEAT N°1



(B) AMERICAN STOVE AND BUCKWHEAT N°1



which meant that prices to the ordinary householder must be maintained at high margins to provide the average margin required to enable the dealer to carry on. It was admitted that it was unfair to the ordinary householder—but necessary under present conditions. However the supply of coal to large institutional consumers at very low margins was also referred to by witnesses in other centres and is not peculiar to Ottawa. In further explanation of the Ottawa margins it was contended that additional costs were incurred through the maintenance of up-town offices separate from the yards, and on British anthracites through extra cost of man-handling the domestic sizes since its friability made it impossible to handle with the equipment installed for the harder American anthracite without creating excessive degradation losses. While this might be true for domestic sizes it would not apply to the same extent for the British buckwheats upon which the margins were also higher than elsewhere.

As in other centres the sale of Welsh coal has been steadily increasing in Ottawa, particularly in the buckwheats, although the sales of American anthracite still exceed those of British—no doubt due to the substantial price premium still being maintained on the latter. Scotch anthracite is sold by only one dealer who has the exclusive agency for the Scotch Anthracite Coal Company—and prices are maintained on the same level with Welsh.

Retailing Costs

Statements on 1932 retailing costs were obtained from leading dealers. Two of these follow:

(1) DEALER No. 1

Item	Cost per ton
Coal weighing..	0 08
Cartage..	0 53
Depreciation..	0 05
Insurance..	0 11
Interest on Investment..	0 10
Interest on Borrowed Money..	0 04
Labour in yard and unloading..	0 19
Office expense..	0 34
Rent and Taxes..	0 08
Salaries..	0 20
Uncollectible accounts..	0 10
Yard expenses..	0 19
Truck expenses..	0 18
General expenses..	0 05
Insurance on trucks and drivers..	0 05
Total..	\$ 2 29

To this figure must be added the losses for degradation amounting on Welsh domestic sizes to 65 cents per ton, and on American stove to 30 cents per ton.

Total retailing cost on Welsh Cobbles= $2.29 + 65 = \$2.94$ per ton
 “ “ “ American Stove= $2.29 + 30 = \$2.59$ “

On cash sales these costs would be reduced by at least the allowance for uncollectible accounts, viz., 10 cents per ton.

(2) DEALER No. 2

Item	Cost per ton
Storage expense, including rent of bins, depreciation on storage plants, taxes, insurance on coal and buildings, repairs, and sundries.. . . .	0 31
Yard and delivery expense, including weighing, superintendence, drivers' wages, stable feed, and maintenance repairs to delivery equipment, and sundry delivery expenses.. . . .	1 04
Overhead expense, including rent of head office, wages and salaries, head office expense, bad debts, advertising, group insurance, depreciation of furniture and fixtures, and general overhead expenses.. . . .	0 71
Total handling and overhead costs.. . . .	\$2 06
To this must be added in the case of American anthracite an item of 24 cents per ton to cover shortages and degradation.. . . .	0 24
American Anthracite Total Retailing Cost.. . . .	\$2 30
To this again must be added the difference between the cost of handling Welsh and American due to the extra cost of handling and to greater degradation loss, amounting to.. . . .	0 40
Welsh Anthracite Total Retailing Cost.. . . .	\$2 70

The annual financial statements of representative dealers were examined. In the case of one dealer a net loss of 17·6 cents per ton was made for the year ending March 31, 1929, and net profits of 25·8 cents, 14·6 cents and 28·9 cents per ton were made in the years ending in March, 1930, 1931 and 1932 respectively. These figures are based on total tonnages of all coals handled and the British and American anthracite returns were not segregated. Another dealer's statements showed net losses since 1925, a third indicated net profits for the years ending in March, 1930, 1931 and 1932 of 43 cents, 12 cents, and 15 cents respectively per ton of all coal handled.

The inquiry did not disclose the existence of any association or combination among Ottawa coal dealers for the purpose of fixing or maintaining retail prices. The practice is for the trade in general to wait each spring until one or other of the leading dealers sets and announces his schedule of prices for the coming year. The list prices so set are as a rule followed by the other dealers—and are subject to the price concessions to institutions and other buyers of coal in large volume, and to those consumers who shop before buying.

The fact that in Montreal the circular price of Welsh cobbles is \$14·50 per ton as against \$16·75 in Ottawa, a differential of \$2·25 per ton, whereas the freight rate between the two cities is only \$1·50 per ton, is a very clear indication of the benefits that must accrue to the consumer from the evolution in coal retailing methods which is taking place in Montreal but which has not yet affected Ottawa. Nor must it be considered that such lack of consistency between the retail prices of the two cities applies only to British anthracite. American stove coal sells in Montreal at \$14·75 per ton, circular cash price. Its circular cash price at Ottawa is \$15·75, and evidence was submitted that some dealers were selling at \$15·25, i.e., giving a cash discount of 50 cents on circular. The differential in freight rates on American stove as between Ottawa and Montreal amounts only to 24 cents per ton. If the Ottawa retailers' margin were reduced to that of Montreal the retail prices of the American stove size in Ottawa would be \$15 instead of, as at present, \$15·75.

While it is apparent that some of the Ottawa consumers who "shop around" and are close buyers, or who buy in large quantities, may be obtaining coal at prices which result in low margins, it is also apparent that the ordinary Ottawa

householder who simply orders his coal and pays cash for it is not receiving fair treatment. No evidence of practices in contravention of the provisions of the Combines Investigation Act was found in the inquiry as it applied to Ottawa.

Quebec

Chart No. 6, compiled from Table 14, gives a picture of dealers' margins and their derivation under the most complete development in the "acute fuel area" of Eastern Canada of the new method of retail distribution of anthracite that has already been discussed. It is seen that the retailers' margins in general are much narrower than in the other centres covered by the inquiry—which is reasonable inasmuch as yard, storage, and financing expense, also degradation losses, have thus been transferred from the retailer's margin to that of the wholesaler or importer.

Under this new arrangement the wholesale price of coal, or retailer's cost, is not subject to exact determination as in the case of American anthracite received by the retailer direct from the mines. There is thus no firm base line for purposes of comparison, in the structure of retail prices. The importer brings in the whole season's requirements of the trade during the navigation season at the graduated scale of prices f.o.b. mines applicable to the summer and at vessel rates determined by the demand for shipping. He finances, unloads, stores, screens and delivers into the retailers' trucks as and when required throughout the year. He thus fixes his own wholesale prices to the trade—which prices may be and are subject to concessions to certain dealers for various reasons of his own. The ultimate check on his wholesale prices of American anthracite—and that applies only as long as there still remain in the trade one or more of the type of dealers with yards—is that his price must not exceed the price delivered at the higher rail rate plus the yard, storage and other handling expenses incidental to handling through the individual dealer's yard.

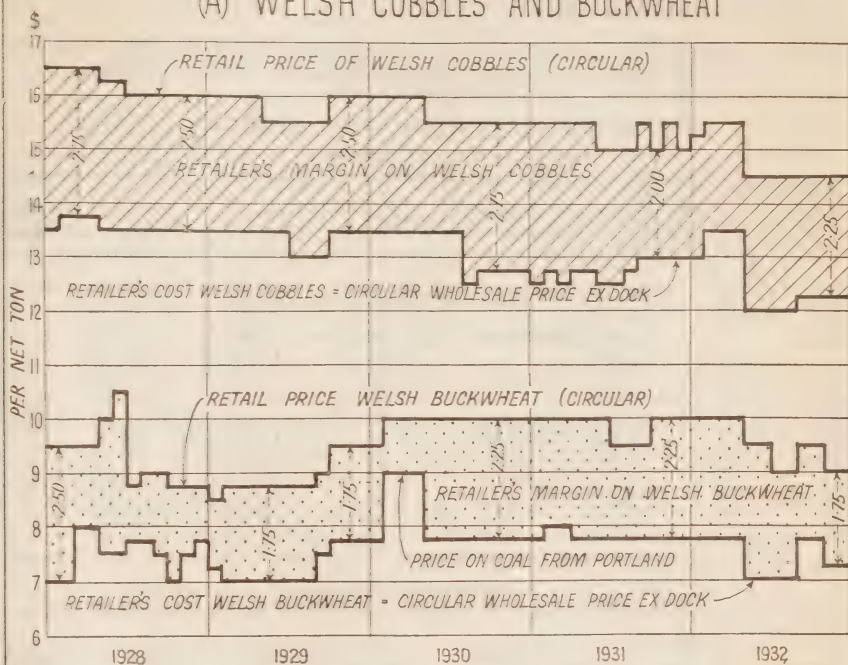
The dominant importer in Quebec is the Canadian Import Company handling both Welsh and American anthracite as well as other fuels. Last year this company acquired a managing interest in Madden and Sons, formerly its competitor, dealing mostly in American anthracite. Control of the wholesale anthracite trade in Quebec had therefore practically reached the monopoly stage when R. G. Lane and Company, British coal exporters, formed a connection with a local retailer and commenced the importation of Welsh anthracite during 1932 as Lane and Robitaille, Limited. In addition to its wholesale activities the Canadian Import Company also retails coal direct. It is very favourably situated in the matter of dock facilities, having acquired control of all the space available on the inner basin and near the centre of the city.

The price information furnished by the Canadian Import Company during the inquiry and which was used in compiling Table 14 and preparing Chart No. 6 shows not only varying retail prices in many months but also varying wholesale prices, indicating that price concessions are given to certain dealers. For the purposes of this report top prices as given each month were taken as circular—the lower prices being considered as cuts on circular. The noteworthy feature of retailers' costs which are the wholesale prices—ex dock—particularly on American coal—is their variation throughout the season, which can only be attributed to the local conditions of the trade. It is quite apparent that wholesale prices are entirely in the hands of the importer.

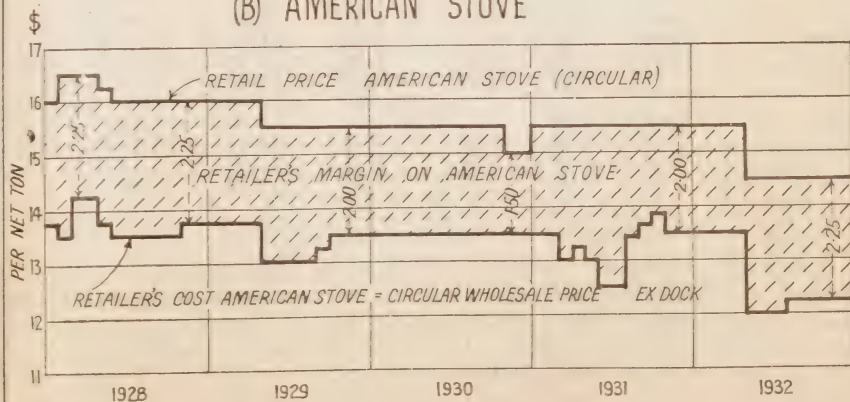
The other significant feature brought out by the chart is the narrowness of the dealers' margins as compared with those of the other cities covered. Evidence was presented that price-cutting to a major degree was the practice in the retail trade in Quebec, and that the principal activities of the Coal Merchants' Association of Quebec were directed to the establishment and maintenance of uniform retail prices. These activities were also concentrated on ways and means whereby price-cutting might be eliminated or at least restricted and are dealt with later in the report.

CHART No 6 SHOWING RETAILERS' ANTHRACITE COSTS, CIRCULAR RETAIL PRICE, AND MARGINS QUEBEC 1928-1932

(A) WELSH COBBLES AND BUCKWHEAT



(B) AMERICAN STOVE



Other Centres of Anthracite Distribution in Quebec and Ontario

Retail dealers' margins at points in Quebec and Ontario other than those already dealt with have been deduced from questionnaire returns received from leading dealers in those centres and are shown in Table 15. Margins on Welsh cobbles and the comparable American stove coal have been determined as for the month of December 1932—on the basis of cash purchases and sales. For comparative purposes the same information relating to Montreal, Toronto, Ottawa and Quebec is included.

TABLE 15.—RETAILERS' ANTHRACITE COSTS, CIRCULAR PRICES, AND MARGINS ON WELSH COBBLES AND AMERICAN STOVE, AS FOR DECEMBER, 1932

Costs and Prices on Cash Basis for Tons of 2,000 lbs.

A.—WELSH COBBLES

Centre	Wholesale Price	Where Purchased	Freight	Retailers' Cost	Retail Price	Retailers' Margin
Montreal.....	\$11.75	Ex Dock	\$0.00	\$11.75	\$14.50	\$2.75
Quebec.....	12.25	"	0.00	12.25	14.50	2.25
Sherbrooke.....	11.60	Montreal	1.80	13.40	16.50	3.10
Hull.....	11.60	"	1.50	13.10	16.75	3.65
Toronto.....	12.05	Ex Dock	0.00	12.05	15.00	2.95
Hamilton.....	12.75	"	0.00	12.75	15.00	2.25
London.....	12.00	Toronto	1.80	13.80	16.50-17.00	2.70-3.20
Kingston.....	11.60	Montreal	1.50	13.10	16.00	2.90
Peterboro.....	12.00	Toronto	1.60	13.60	16.50	2.90
Oshawa.....	12.50	Ex Dock	0.00	12.50	13.50-14.50	1.00-2.00
Smith's Falls....	11.60	Montreal	1.90	13.50	16.25-16.50	2.75-3.00
Ottawa.....	11.60	"	1.50	13.10	16.75	3.65

B.—AMERICAN STOVE

Centre	Price f.o.b. Mines	Duty	Excise Tax	Freight	Retailers' Cost	Retail Price	Retailers' Margin
Montreal.....	\$7.05	\$0.50	\$0.27	\$4.49	\$12.31	\$14.75	\$2.44
Quebec.....	7.05	0.50	0.27	Via Atlantic Coast			
Sherbrooke.....	7.00	0.50	0.27	5.16	12.25	14.50	2.25
Hull.....	7.05	0.50	0.27	4.73	12.98	15.50	2.52
Toronto.....	7.05	0.50	0.27	4.14	12.55	15.75	3.20
Hamilton.....	7.05	0.50	0.27	3.92	11.96	14.50	2.54
London.....	7.05	0.50	0.27	4.46	11.74	14.00-14.50	2.26-2.76
Kingston.....	7.05	0.50	0.27	3.73 water 4.81 rail	12.28 11.55 12.63	15.50-16.00 15.00	3.22-3.72 *3.45
Peterboro.....	7.05	0.50	0.27	4.93 water	12.75	15.25	2.50
Oshawa.....	7.05	0.50	0.27	4.43	12.25	13.50-14.50	1.25-2.25
Smith's Falls....	7.05	0.50	0.27	4.61	12.43	15.50	3.07
Ottawa.....	7.05	0.50	0.27	4.73	12.55	16.75	3.20

*Margin on coal brought in by water during summer and stored in dealer's yard.

Retailers' margins as presented in this table show a wide variation both on British and American anthracite; but for inland points—those not accessible to water transportation—they are noticeably higher than where dealers deliver direct from the Importers' docks. As a general rule the margin of the inland dealer approaches or exceeds \$3.00 per ton. In the retail trade Welsh coal does not command a wider margin than that of its competitor upon which the coal retail business has been built up, and the consumer of British coal is not being discriminated against in this particular.

VI.—THE MARGIN OF THE WHOLESALE AND IMPORTER

Although the prices paid for British anthracite by the Canadian consumer may appear in a favourable light if the comparative prices and quality of Pennsylvania are accepted as the chief criterion, and although, further, the retailer of British anthracite may be working on a margin or spread to which no serious objection can be taken, there still remains the possibility that an inordinate cost or price has been loaded on to Welsh and Scotch coal at an earlier stage in the process of distribution. The wholesale prices, paid first by the retailer and ultimately by the consumer, may have been maintained at levels not warranted by the importers' costs or by the other charges incurred before the coal reaches the hands of the retailer. The examination of that phase of the trade which has to do with the operations of the importer and wholesaler presented the most difficult and diverse problems, and constituted the heaviest task associated with this inquiry. Several features characteristic of the importation and wholesale distribution of British anthracite coal in Canada, some of them peculiar to that trade, require to be noted at the outset.

First, as regards the bulk of this coal, the importer is also the wholesaler. To some extent he is the retailer also. When reference is made to the importer or to the wholesaler, however, the person or company referred to may usually be accepted as carrying on business in both capacities—really as an "importer-wholesaler."

Secondly, the importing and distributing of British coal in a wholesale way is a more complex business than is generally realized. Supplies for the greater portion of the Canadian market have to be brought in through St. Lawrence ports during a short shipping season. Dock space must be provided not only for discharging but for accumulating and storing a heavy stock of coal for a considerable period before the winter demand commences. The storage feature of the business involves a large tie-up of capital, and a serious element of risk arises in attempting to estimate closely the volume of coal required for the forthcoming winter. If the winter should be long and severe the stock of coal brought in by water is likely to be inadequate, and additional supplies may have to be brought in by rail from Atlantic winter ports, involving higher costs and possibly losses on those shipments. Or if the winter should turn out to be short and mild, the importer may find himself with a considerable amount of coal on his dock in spring, to be carried over through another summer and autumn. Both of those contingencies have materialized at one time or another with the principal importers, occasioned by the unexpected shifts in the demand for British coal as well as by the caprice of seasons. Again, it falls upon the importer, chiefly, to deal with the matter of degradation which is described by Sir Alfred Cope, managing director of the Amalgamated Anthracite Collieries, as being "the terrible bugbear of the Welsh anthracite export trade." All shipments of British sized coals landed in Canada, both Welsh and Scotch, present this problem, serious enough with the best grades of coal and much more so with the softer and inferior coals. The processes of breaking, screening and re-screening leave the importer with a much smaller tonnage of cobbles or other domestic sizes than he purchased at the higher prices commanded by those sizes, and he has on his hands a correspondingly greater tonnage of buckwheats which have to be sold at substantially lower prices, or of screenings which are not saleable at all as domestic fuel.

The Contrast Between British and American Anthracite Trade, as Regards Importing and Wholesale Distribution

No doubt it is quite natural that, on the evidence of the importers themselves, the business of importing, preparing and distributing British anthracite looms up in a light that overlooks nothing in the way of risks, problems and pitfalls, but it involves no undue acceptance of their viewpoint to concede and recognize that the trade is vastly different from the wholesale trade in American coal. It is scarcely to be thought of in the same terms as the latter—assuredly not in the same terms with respect to the margin required, per ton, to cover the costs incurred in bridging the gap between the producer and the retailer. The wholesale distributor of Pennsylvania anthracite does a quite different type of business. His functions in connection with the physical handling of coal are relatively light. He is concerned mainly with the selling responsibility, including the assumption of credit risks. Much of the coal sold by him is shipped direct from the producer to the retail merchant. The wholesaler himself may never have taken physical possession of it, may never have seen it. And, in the form in which the trade in Pennsylvania coal is organized and has long been familiar to Canada, the wholesaler receives and requires a very modest revenue per ton. His discount or margin or allowance may vary from twenty-five cents to forty-five cents per ton, representing a distinctly minor item in the price of a ton of coal which finally costs the consumer fourteen or fifteen dollars. The large factors entering into the consumer's cost of Pennsylvania anthracite are the mine price, the railway freight charges, and the retailer's margin. Comparatively speaking, the share of the final cost that is accounted for by the charges connected with the services of the importer and wholesaler, tends to drop out of sight. With respect to British anthracite, accountability for the final cost lies in much greater degree with the importer.

In view of the narrow margin absorbed by the wholesale dealer who imports Pennsylvania anthracite, it is readily understandable that the generally known facts in regard to the primary and the final costs of British coal should have created a widespread impression that the importers' spreads or margins have been exorbitant. It is a simple matter for almost anyone to take the Swansea quotations for Welsh cobbles or other size, to add the ocean freight rates that are published from time to time, to take account of the prevailing rates of exchange, and thus to arrive at an approximation of the costs alongside dock at Montreal. Allowing, too, for the difference between the gross and the net ton, an attempt to make a fair calculation might reach a result indicating a c.i.f. cost to the importer of perhaps \$8 or less per ton for Welsh cobbles, and \$5 for buckwheats, at a time when the wholesale prices for those sizes might be respectively \$12 and \$7.50, and the retail prices \$15 and \$10. Indeed, prior to this inquiry such calculations were made and, if not published, nevertheless received wide currency. They may be assumed to have been made in perfectly good faith, with careful regard to the facts so far as they were at hand or readily available, by anthracite consumers or others who were anxious to get at the truth of the matter. The results led naturally to the conclusions that the situation called for thorough examination, particularly with reference to the importing operations.

Importers' Buying Prices.

The problem of ascertaining the importer's real margin or spread is a manifold one, greatly complicated by the fact that conditions vary so sharply as between the business of one importer and that of another. The wholesale prices at which the different importers sell their coal to the retail trade are readily obtainable and are closely comparable, but in respect to almost every other essential factor, there is little or no uniformity. Some importers purchase

their supplies on a c.i.f. price basis—that is, a price which covers the cost of the coal as delivered in vessels alongside dock at Montreal, Quebec or other Canadian ports.

AVERAGE PRICES OF ANTHRACITE COALS 1925-1931, F.O.B. SWANSEA,
PER GROSS TON

Description	1925	1926x	1927	1928	1929	1930	1931	[1932	1933	1934
Best Large.....				33/-	35/-	36/9	36/10½	37/3	37/3	37/5½
Red Vein.....	30/7½	29/9	26/7	22/8	25/3	25/-	25/-	24/6½	23/8½	23/6
Machine-made Cobbles.....	53/9	51/10	43/9	40/6½	42/8	43/-	42/10½	43/8	43/-	43/-
Machine-made Nuts.....	53/2½	52/9	45/2	39/8½	42/9	43/9	42/10½	41/10½	41/3	41/6½
Beans.....	41/-	44/1	34/8	24/10	24/9	26/1½	27/9	30/9½	28/9½	28/-
Peas.....	22/2	24/3	21/2	18/1	18/6	20/5	21/1½	20/4	19/10	20/6
Rubbly Culm.....	11/11	11/6	10/10	10/5	11/-	11/3	8/9	9/5½	9/7½	10/5½

x National Coal Stoppage, May-November.
(From the South Wales Coal Annual.)

Other importers purchase at prices f.o.b. Welsh or Scottish ports, such as Swansea and Grangemouth. And there may be a wide variation even in the prices paid during the same season by two different importers, both buying on the c.i.f. basis at the same Canadian port, say, at Montreal. Actual purchases on that price basis during 1932 showed costs of Welsh cobbles varying from less than 35 shillings to more than 50 shillings per gross ton. The variations in price on coal of any particular size may be due to the volume or the time of the purchase, to the quality of the coal, or to ocean freight rates, although the latter appear to be fairly stable during the greater part of the shipping season. Still another important variable arises from the fact that, in the case of one firm, all imports may be in the form of sized coal, e.g., cobbles, nuts, buckwheats and so on, while a second importer may be buying what is known as 'large' coal which, on arrival in this country, must be put through a breaking and screening plant to produce the sizes required by the retail trade. In view of these and other diverse conditions that need not be detailed, it is out of the question to set forth a schedule of prices which would be of real value as indicating representative prices paid by Canadian importers. The prices paid by one importer are seldom properly comparable with those of another, and comparison would be misleading rather than informative. There is, in short, no recognized series of basic prices for British anthracite similar in any respect

ANTHRACITE PRICES, 1931, F.O.B. SWANSEA, PER GROSS TON

—	Best Large	Red Vein	Machine- made Cobbles	Machine- made Nuts	Beans	Peas	Rubbly- Culm
January.....	36/9	25/-	42/6	43/3	26/9	20/7½	8/9½
February.....	36/9	25/-	42/6	43/3	26/9	20/6	9/-
March.....	36/9	25/-	42/3	43/3	26/9	20/6	9/-
April.....	36/9	25/-	42/6	43/3	26/9	20/6	9/-
May.....	36/9	25/-	42/6	43/3	26/9	20/9	9/-
June.....	36/9	25/-	42/6	43/3	26/9	21/4½	9/-
July.....	36/9	25/-	42/6	43/3	26/9	21/4½	8/10½
August.....	36/9	25/-	42/6	43/3	26/9	21/7½	8/9
September.....	36/9	25/-	42/6	43/3	26/9	21/9	8/9
October.....	37/1½	25/-	43/9	42/1½	30/1½	21/9	8/9
November.....	37/3	25/-	44/3	41/9	31/3	21/4½	8/6
December.....	37/3	25/-	44/3	41/9	31/3	21/-	8/6

(From the South Wales Coal Annual, 1932, Page 244.)

to the series of 'mine prices' established by Pennsylvania anthracite operators. In the Pennsylvania fields prices are highly standardized, exhibiting such narrow limits of variation between the large producing companies as to make a very close approach to the status of common prices. No parallel to that condition exists in the British anthracite industry. The accompanying tables of Swansea prices, reproduced from the 1932 edition of the South Wales Coal Annual, indicate the movement of averages prices over a term of years and the relative prices of the various sizes of Welsh anthracite, but they afford no reliable guide to the prices paid by Canadian importers.

The Effect of Exchange Fluctuation

In addition to the absence of anything approaching standard prices for importers' purchases of British coal, the task of determining what the importers' costs and margins really amount to, is confronted by another price factor which tends further to create disparity between the costs of different importers. Prices to importers are generally quoted and fixed in terms of sterling, and the wide fluctuations in the rates of exchange since the autumn of 1931 have meant that, quite apart from the many variations in their sterling contract prices, the actual costs paid by Canadian purchasers have varied, again, according to the rates at which they were able to cover their sterling requirements. The real cost of coal, per ton, for the purchaser who bought sterling in the early summer, at a rate of possibly \$4.20 to the pound, was materially higher than for a second importer who was able to take advantage of a rate of \$3.85 or lower in September, October and November.

The following table, based on the 1932 price list of a British firm of anthracite exporters, shows the sterling prices of various sizes and qualities of Welsh anthracite per gross ton, and the equivalent prices in dollars and cents per net ton after converting sterling at four different rates of exchange, (a) at par, (b) at \$4.20, (c) at \$4, and (d) at \$3.80. It will be observed that, taking only the sterling prices, there is a wide range of variation. For example, machine-made cobbles are quoted at almost 50 per cent more than the screened cobbles which represent the softer coals. When the effect of exchange fluctuations is added to the normal variations that arise from differences of quality, the difficulty of obtaining representative export prices becomes even more strikingly apparent. One Canadian importer may have purchased machine-made cobbles in 1932 at 45 shillings per gross ton and may have paid \$4.20 to the pound for his sterling requirements; another Canadian importer may have bought screened cobbles at 31 shillings, and sterling exchange at the rate of \$3.80. In the first case the Swansea cost, per net ton, would work out to \$8.44, and in the second to \$5.26, the former being 60 per cent higher than the latter.

Size	Price in Shillings and Pence per gross Ton	Equivalent Prices in Dollars and Cents per Net Ton			
		(a) With Sterling At Par	(b) With Sterling at \$4.20	(c) With Sterling at \$4.00	(d) With Sterling at \$3.80
Malting Large.....	37/	\$8.04	\$6.94	\$6.61	\$6.28
Big Vein Large.....	30/	6.52	5.62	5.36	5.09
Red Vein Large.....	23/	5.00	4.31	4.11	3.90
Machine-made Cobbles.....	45/	9.78	8.44	8.04	7.63
Screened Cobbles.....	31/	6.73	5.81	5.54	5.26
Machine-made Beans.....	30/	6.52	5.62	5.36	5.09
Screened Beans.....	27/6	5.97	5.16	4.91	4.66
Machine-made Peas.....	20/	4.34	3.75	3.57	3.39
Screened Peas.....	18/	3.91	3.38	3.21	3.05

(Based on price list issued by Messrs, Evans & Reid).

Degradation Losses or Costs

Of the remaining items of importers' costs, the loss due to degradation is the item giving the most concern. In discussion of British anthracite trade the term "degradation" comes to the surface so often as to be wearisome, but probably not more often than the facts warrant. Degradation is troublesome to the consumer, the retailer and the exporter but, so far as Canadian trade is concerned, it appears most prominently and has to be dealt with chiefly in the importer's end of the business. While two importers may pay very different contract prices, different ocean freight costs, and different rates of exchange for sterling in buying Welsh cobbles, it is possible to get at the cost to each of them, separately, and thus to arrive at a comparison of their respective costs, per ton, alongside dock. But to isolate the cost of degradation in such a way as to show clearly how much it adds, in dollars and cents, to the consumers' bill for a ton of cobbles or nut coal, is a problem which hardly any two importers deal with in the same manner. Most of them are genuinely puzzled by the accounting aspect of that problem, themselves, and prefer to treat it as a general cost which can only be calculated in relation to the whole tonnage handled—not in relation to the tonnage of each of the several sizes of coal sold for domestic heating purposes. The following extract from a statement prepared and submitted by Sir Alfred Cope during the inquiry cites one ready-reckoning method of degradation costs—

"Additional to the degradation which takes place at the point of loading, there is the attrition and breakage in the steamer on its voyage, and after that comes breakage in unloading the coal at the receiving dock. It is calculated that every 1 per cent of degradation on Cobbles size shipped to Canada is equal to 10 cents a ton, and the average degradation calculated over a number of recent seasons of Cobbles size is between 20 and 23 per cent."

According to this formula, quoted by the principal exporter of Welsh anthracite, the degradation loss on Welsh coal shipped to Canada would amount to from \$2 to \$2.30 per ton. The Canadian Import Company, the largest importer of Welsh coal in the Dominion, calculated that at Montreal the loss from degradation represented a cost item of \$2.37 per net ton of cobbles and nut coal sold in 1932. This figure was arrived at by taking, first, the total tonnage and cost of large coal and of domestic sizes imported during the year, secondly, the total tonnage of domestic sizes recovered after the coal had been broken and screened, and, thirdly, the average amount per ton that it was necessary to add to the cost of the domestic sizes in order to recover the loss sustained on the tonnage that had to be sold in the form of screenings or of small sizes such as buckwheats.

Similar calculations made by the accountants employed officially in connection with the inquiry reached a series of results which varied materially according to the sizes of coal handled. At the Vulcan dock, Montreal, where the Canadian Import Company's tonnage consists principally of large coal, the amount which had to be added to the average cost of cobbles and nuts in order to absorb the losses from degradation was placed at \$2.65 per net ton in 1930, and \$2.43 in 1931. The corresponding figures relative to the same company's imports over the Bickerdike pier at Montreal, where the tonnage is chiefly of sized coal, were \$2 in 1930, and \$1.89 in 1931—naturally a lighter degradation than is encountered in the breaking and screening of large coal. Again, the Quebec operations of the Import Company—also concerned with sized rather than large coal—indicated a degradation loss of \$1.47 per net ton of cobbles in 1932, of \$2.14 in 1931, and of \$2.42 in 1930. Figures relative to the degradation of Scotch anthracite reflect a somewhat lower cost per ton than applies to Welsh coal. For the year ending October, 1931, the losses of the Scotch Anthracite Coal Company, or rather the added cost per ton of cobbles, was estimated at \$1.51. Thus, while the costs differ materially as between Scotch

and Welsh coal, and, again, as between the large and the sized Welsh coal, the item of degradation constantly thrusts itself forward as a prominent factor affecting the ultimate price of British sized coals to the consumer. No two persons or companies, however, are likely to calculate this cost or loss in precisely the same way.

Examination of Importers' Accounts and Records

With such widely differing conditions prevailing among the importers of British anthracite as regards their contract prices for coal purchases, their exchange costs, and their accounting treatment of degradation, the range of cost data presented by witnesses appearing on behalf of various importing companies was too diverse to afford a sound basis from which to derive figures or conclusions that might be accepted as being fairly representative of the importing trade as a whole. The most adequate evidence on the importing business was that obtained by the accounting firm whose services were officially employed to make a thorough examination of importers' accounts and records. Considerations of time and expense made it impossible to have such examinations made in respect to every company engaged in the importing of British anthracite, and this work was necessarily confined to a limited number of companies. The operations of these companies are centred at Montreal but their contracts with British producers or exporters, and the scope of their distributing activities, invest them with exceptional importance in relation to the Canadian market at large. The Scotch Anthracite Coal Company is the Canadian importer and distributor for four-fifths or more of the Scotch anthracite entering the Dominion. The two closely allied companies—British Coal Corporation and Canadian Import Company—hold comprehensive distributing rights for coal exported to Canada by the Amalgamated Anthracite Collieries of Wales; and the St. Lawrence Stevedoring Company, a subsidiary of the Canadian Import Company, takes charge of the various activities connected with the physical handling and preparing of the coal. The F. P. Weaver Coal Company, prominent in both the Toronto and the Montreal trade, is a large distributor of 'independent' Welsh coals, as well as of shipments received from the Amalgamated company. In confining the auditing work mainly to these companies, it was felt that the data, so obtained, would furnish an adequate analysis of the items which account for the margins absorbed by the importers. The results might not be representative of the costs and profits of all importers, but they would have the sanction of having been obtained through a careful examination of the actual costs of companies that are strongly established in the business, carrying on trade on a large scale and possessing the experience, organization and facilities required for efficient operation.

For the greater part the statistics and other information presented in the following paragraphs are either taken directly from, or are based upon, the report submitted by the accountants. That report, in full, is attached as an appendix. The data on Welsh coal were derived chiefly from the examination of the accounts and records of the Canadian Import Company, British Coal Corporation, and the St. Lawrence Stevedoring Company—the three associated companies which, working together, are responsible for importing, handling and distributing the largest single volume of Welsh coal entering Canada. Data on Welsh coal were obtained in part, too, from examination of the business of the F. P. Weaver Coal Company. On Scotch coal the source of data was the Scotch Anthracite Coal Company. For purposes of brevity and convenience, wherever it is necessary to refer to these companies by name, they will be referred to simply as the Scotch company, or the Weaver company, or, in the case of the three allied companies, as the Import company.

*Accountants' Figures Relative to Welsh Anthracite**Prime Costs of Coal*

The Import company does a substantial business at Quebec but the main volume of its imports is handled at Montreal. Its cost of coal arriving at these ports, and the tonnages, are shown below for a term of years sufficient to illustrate recent trends in volume, costs, and sizes of coal handled:—

MONTREAL TONNAGE

Sizes	1929	1930	1931	1932
	Tons	Tons	Tons	Tons
Large.....	97,338	155,393	128,509	202,007
Cobble.....	80,195	100,026	56,380	54,729
French Nuts.....	17,591	36,121	18,743	27,540
Stove Nuts.....		7,641	5,140	
Peas.....		7,048	2,894	2,343
Buckwheat No. 1.....	47,748	85,298	55,875	71,498
Buckwheat Nos. 1 and 2.....	42,121	87,427	82,238	91,788
Special Peas and Grains.....				20,664
Unscreened.....		19,789	45,038	27,732
Unclassified.....	19,290	10,488	20,359	539
Total.....	304,283	509,231	415,176	498,840

MONTREAL COSTS

(Amount per ton including freight inward)

Sizes	1929	1930	1931	1932
Large.....	\$7.60	\$7.77	\$7.26	\$6.37
Cobbles.....	8.64	8.86	8.32	7.33
French Nuts.....	8.59	8.93	8.32	7.52
Stove Nuts.....		8.84	7.90	
Peas.....		7.06	6.60	5.02
Buckwheat No. 1.....	5.47	5.90	5.74	5.15
Buckwheat, Nos. 1 and 2.....	5.21	5.58	5.39	4.85
Special Peas and Grains.....				3.61
Unscreened.....		7.46	6.34	5.44
Unclassified.....	7.24	10.38	6.47	2.99
Average.....	7.24	7.43	6.74	5.91

QUEBEC TONNAGE

Sizes	1929	1930	1931	1932
	Tons	Tons	Tons	Tons
Cobbles and Nuts.....	15,185	16,817	21,647	30,909
Buckwheats.....				83,997
Buckwheat and Beans.....	47,957			
Buckwheats, Peas and Beans.....		62,895	53,949	
Semi-anthracite.....	752	4,047	90	
Screenings.....			835	344
Total.....	63,894	83,759	76,521	115,250

QUEBEC COSTS

(Amount per ton including freight inward)

Sizes	1929	1930	1931	1932
Cobbles and Nuts.....	\$9.06	\$8.84	\$8.58	\$6.70
Buckwheats.....				5.09
Buckwheats and Beans.....	5.60			
Buckwheats, Peas and Beans.....		5.92	5.77	
Semi-anthracite.....	6.91	7.00	7.91	
Screenings.....			3.48	2.00
Average.....	6.43	6.56	6.54	5.51

The prime costs of the purchases of the Import Company, as shown above, are the c.i.f. prices at Montreal and Quebec, converted from sterling into Canadian currency at the rates actually paid by the company; and the effect of the discount on sterling at once becomes apparent in the trend of costs. The costs for Montreal purchases in 1931 fell sharply below those of the previous year; and the costs in 1932, in turn, declined abruptly as compared with those of 1931. Apart from the price movements, the foregoing tables are of interest in disclosing the different composition of the tonnages going respectively to Montreal and Quebec. Sized coal, only, is imported at Quebec while at Montreal 'large coal,' which must be broken and screened to the required domestic sizes, is the heaviest single item. The Montreal imports of cobbles, as such, show a very substantial reduction in tonnage.

The Spread between Prime Costs and Wholesale Prices

At one end of the scale, in the importer's operations, stand the initial costs of the coal as delivered alongside dock. At the other end of the scale stand the prices at which the importer disposes of the coal—that is, the wholesale prices. The following table, based on Montreal figures for the Import company, indicates how wide the gap is between the importer's purchase prices and his sale prices:—

Size of Coal	(1) Prime Costs (c.i.f. prices)	(2) Wholesale Prices (Ex dock prices for December, less cash discounts)	Difference between (1) and (2)
Cobbles.....1929	\$8.64	\$13.00	\$4.36
“.....1930	8.86	13.00	4.14
“.....1931	8.32	12.70	4.38
“.....1932	7.33	11.75	4.42
French Nuts.....1929	8.59	13.45	4.86
“.....1930	8.93	13.45	4.52
“.....1931	8.32	12.95	4.63
“.....1932	7.52	12.00	4.48
Buckwheat, No. 1.....1929	5.47	7.50	2.03
“.....1930	5.90	8.00	2.10
“.....1931	5.74	7.90	2.16
“.....1932	5.15	7.55	2.40
Buckwheat, Nos. 1 and 2.....1929	5.21	6.85	1.64
“.....1930	5.58	7.35	1.77
“.....1931	5.39	7.25	1.86
“.....1932	4.85	6.90	2.05

The gap between the importer's first cost and his selling figure represents an increase of from 50 to 60 per cent on the larger sizes and of from 30 to 45 per cent on the buckwheats. Margins of such breadth throw a strong light upon the importance of the wholesale phase of the British anthracite trade as compared with that of the trade in Pennsylvania coal. Represented in the above manner, the importer's margin on British anthracite appears in an extreme form. It is, in no sense, to be regarded as a margin of profit. Before the item of profit can be reached, these margins must cover a wide range of charges, including unloading costs, excise taxes, harbour dues, handling and preparation of coal, degradation losses, dock rentals, selling and administrative costs, and provision for bad debts. The true cost to the importer, before his coal becomes a marketable product, is the c.i.f. purchase price plus all the outlay incurred in landing, breaking, screening and placing the coal on the stock pile ready for use. And, beyond that stage, there is a second series of charges relative to selling expenses, administration and other costs of doing business. At Montreal the Import company handles a considerable tonnage of 'large' coal as well as of sized coal, and the accounting methods and records are not such as to segregate the costs that are chargeable to the handling of separate sizes such as cobbles, nuts and buckwheats. It is not feasible, therefore, to take the prime cost, say, of cobbles and to add, step by step, the costs of discharging from the vessel, of excise, harbour dues, handling, screening, selling and so on, in such a way as to determine finally the total cost and the margin of profit that are definitely attributable to a ton of cobbles or of stove nuts, or of buckwheat No. 1, or of any other particular size. To arrive at the net profits per ton, the entire tonnage sold in any one year or other accounting period must be taken as the basis of computation; and many of the cost items must similarly be accepted in the form of averages per ton, without distinction between cobbles, grains, nuts, etc.

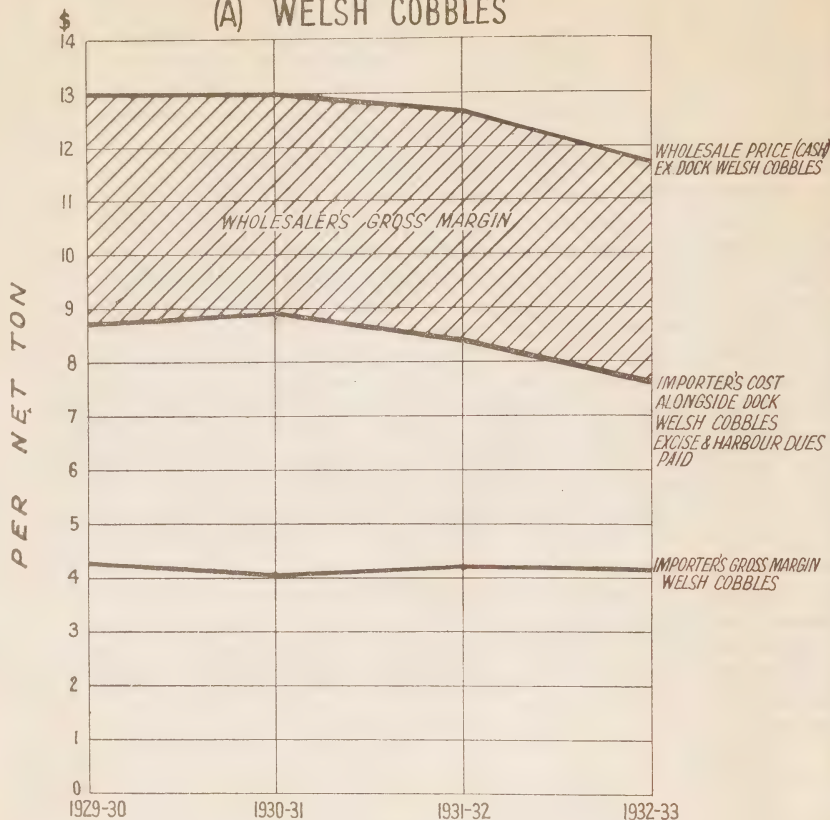
Summarizing the Montreal operations of the Import Company, the figures for the various items of revenue and costs worked out as follows for the period 1929-32:

Total Tonnage				
1929.....	319,062			
1930.....	393,794			
1931.....	426,141			
1932.....	471,888			

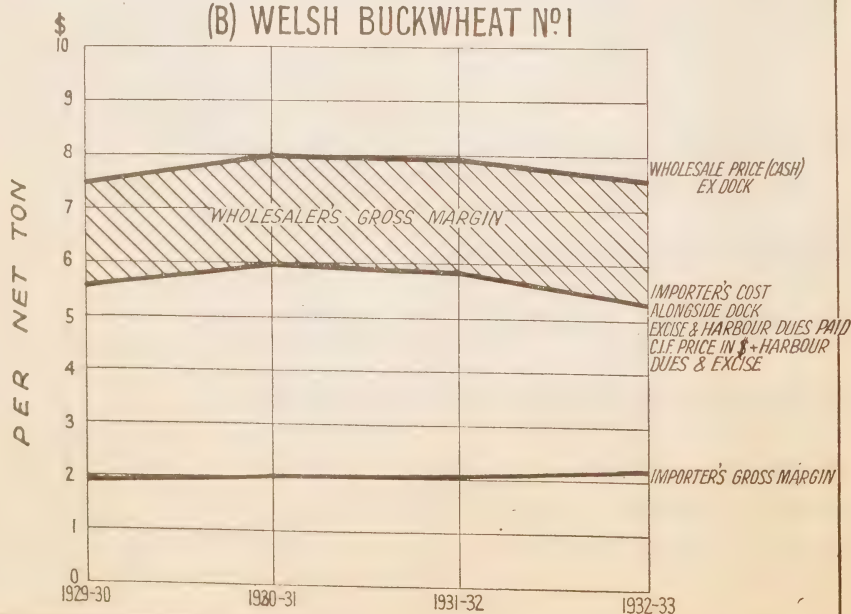
	Average Per Ton			
	1929	1930	1931	1932
Net value of sales.....	\$ 8.38	\$ 8.55	\$ 8.70	\$ 8.39
Net cost of sales (including purchases, carry-over from previous year, import tax, wharfage dues, unloading, handling and preparation costs, etc.).....	7.58	7.57	7.78	7.26
Gross profit.....	.80	.98	.92	1.13
Selling administrative and general expenses.....	.24	.24	.23	.23
	.56	.74	.69	.90
Miscellaneous Income (including discounts, commissions, and insurance recovery).....	.01	.03	.05	.....
	.57	.77	.74	.90
Miscellaneous Charges (including cash discount allowed on sales, provisions for bad debts, etc.).....	.02	.04	.10	.18
Net Profit before income tax.....	.55	.73	.64	.72
Provision for Federal and Provincial income taxes.....	.04	.08	.07	.10
Net profit on Montreal Operations.....	.51	.65	.57	.62

CHART N°7
SHOWING
COURSE OF IMPORTER'S ANTHRACITE COSTS, WINTER WHOLESALE PRICES
AND
GROSS WINTER MARGINS ON WELSH COBBLES AND BUCKWHEAT N°1
MONTREAL 1929-1932
Costs and Prices on Cash Basis.

(A) WELSH COBBLES



(B) WELSH BUCKWHEAT N°1



Reference to the Accountants' report will furnish a comprehensive view of the details entering into the larger items which appear in the foregoing summary, but brief comment may be made here in respect to several of those items. First, the apparent low net value of sales per ton—very much lower in 1932, for example, than the \$12 wholesale price of cobbles for the same year—is accounted for by the fact that the 1932 figure of \$8.39 represents the average sales value of all sizes. Buckwheat coal and other small sizes are sold at prices much below the level of cobbles or nut coal. With regard to the figure for the net cost of sales, (7.26 in 1932), this, it should be noted, includes not only the c.i.f. price of coal purchased during the year but, in addition, the cost of the tonnage carried over from 1931 and also the costs of unloading, handling on the docks, and such items of expense as the import tax and the harbour dues. Again referring to 1932, harbour dues amounted to 9 cents per ton, the import tax to 13 cents, inspection to 1 cent per ton and the cost of discharging, preparation and handling to 62 cents per ton. In this manner, the average cost of any year's sales per ton is raised to a level considerably higher than the prime cost, per ton, of the imports of that year as delivered alongside the dock.

The Quebec operations during 1932 included sales of roundly 120,000 tons, slightly more than one-quarter of the tonnage involved in the Montreal business. The net profits at Quebec worked out to 48 cents per ton as compared with 62 cents at Montreal. Taking the entire business of the Import company at both Montreal and Quebec, the net profit per ton in 1932 amounted to 59 cents as compared with 57 cents in 1931, 64 cents in 1930, and 49 cents in 1929. For the same four years the ratio of the company's net profit to its net sales amounted to 7.13 per cent (1932), 6.51 per cent (1931), 7.46 per cent (1930), and 5.83 per cent (1929). Stating the yearly profits in still another form, they represented a return on the capital employed in the business of 26.5 per cent in 1932, and of 19.5 per cent, 29.8 per cent, and 30.5 per cent in each of the preceding years. Regarded in the light of the earnings on the capital invested or employed, the net earnings of the company in each of the years under review appear very substantial. Translated to the basis of profit per ton of Welsh anthracite sold, however, the profits do not carry the same significance, especially in view of the fact that exchange conditions have recently been such as to introduce a serious element of risk into this type of business. It is essential to set prices early in the year, and those prices must take into consideration not only the prices of competitive fuels but also the probable cost of importing the whole season's supply, very little of which is actually in hand at the time the spring prices are decided. Exchange conditions during the past year might quite possibly have raised the average cost of the company's imports to such an extent as to affect very materially the net result of the year's operations. Either an increase of 25 cents per ton in the cost of the coal imported, or a sudden change in the competitive situation in Canada compelling the importers to reduce their wholesale prices by, say, 50 cents per ton or even to the extent of 25 cents per ton would have had the effect of making a drastic alteration in the appearance of the company's financial statement at the end of the year. It should be mentioned, too, that the officers of the Import company, and the accounting experts retained by them as counsel, took issue with the results reached by the accountants officially employed in connection with the inquiry, particularly with reference to the net profits per ton and to the ratio of earnings to the capital employed. Those differences need not be entered upon here other than to state that, as contrasted with the figures cited above, the company contended: (a) that its actual net profits per ton were 32 cents (1932), 26 cents (1931), 42 cents (1930), and 33 cents (1929), (b) that the percentages of the net earnings to turn-over for those years respectively were 3.97 per cent, 2.99 per cent, 4.90 per cent, 2.62 per cent, and (c) that the ratios of the net profits to the average capital employed in the Welsh anthracite branch of their

business (after allowing 6 per cent interest) were or should be 10.68 per cent (1932), 5.39 per cent (1931), 7.80 per cent (1930), 8.30 per cent (1929). The figures submitted by the accountants officially employed for the purposes of the inquiry have been accepted as representing a proper analysis of the company's records and accounts.

Toronto and Montreal Trade of the Weaver Company

The costs and profits of the Toronto trade of the F. P. Weaver Coal Company—the company that imports the major volume of Welsh coal for wholesale distribution in Toronto and the area served therefrom—may be summarized as follows, for the years 1930-32:—

Total Tonnage	
1930—Toronto.....	32,078
1931—Toronto.....	56,994
1932—Toronto and Hamilton.....	121,899

	Average Per Ton		
	1930	1931	1932
Net Value of Sales.....	\$9.78	\$9.75	\$9.40
Cost of sales (including purchases, carry-over from the previous year, freight inward, wharfage, excise tax, discharging, preparation, etc.).....	9.07	8.18	8.38
Gross profit.....	.71	1.57	1.02
Selling, administrative and general expenses.....	1.13	.90	.59
Miscellaneous charge (bad debts).....	.42 ⁽¹⁾	.67	.43
Net profit or loss before income tax.....	.04	.05	.04
Net profit or loss after provision for income tax.....	.46 ⁽¹⁾	.62	.39
	.46 ⁽¹⁾	.62	.34

⁽¹⁾ Loss

The consolidated statement of the Weaver company and its subsidiaries covers, in addition to the Toronto and Hamilton wholesale business, a very large wholesale trade and a substantial retail trade in Montreal and district. These consolidated results reflected a net profit of 12 cents per ton on a total volume of nearly 300,000 tons of Welsh coal, in 1932. In the two preceding years the Weaver company sustained losses on its combined Welsh anthracite operations,—amounting to 10 cents per ton on a total volume of 218,000 tons in 1931, and to 23 cents per ton on a volume of 178,000 tons in 1930. The profits and losses of the Weaver company during the three years under review, subdivided further into the three different branches of its Welsh anthracite business, are summarized below:—

	Average Per Ton					
	1930		1931		1932	
	Profit	Loss	Profit	Loss	Profit	Loss
	\$	\$	\$	\$	\$	\$
Montreal (wholesale).....	.16	..	.29	..	..	.04
Montreal (retail).....	.33	..	.84	..	.67	..
Toronto (wholesale).....	.46	..	..	.62	..	.34
Combined results.....	.23	..	.10	..	..	.12

A notable feature of the Weaver Company's results is the striking variation not merely between one year and another but between one branch of business and another. By way of explanation, it should be pointed out that the Montreal business and the Toronto business are not at all similar, even as regards wholesale trade alone. At Montreal the Weaver company takes the bulk of its supplies of Welsh coal from the Canadian Import Company (formerly from the British Coal Corporation) and the Weaver company acts chiefly as a wholesale distributor, receiving fixed and limited wholesale discounts or allowances. At Toronto the Weaver company is the importer as well as the wholesaler and while the Toronto trade returned a heavy loss per ton in 1930, a substantial profit was earned in 1931 and 1932 when a greatly increased volume of coal was handled. The following table indicates the average cost per ton of the Weaver Company's Toronto imports for each of the last three years:—

AVERAGE COST OF TORONTO IMPORTS
PER TON

—	1930	1931	1932
Purchases—cost to Montreal.....	\$ 7.46	\$ 6.24	\$ 5.77
Excise Tax.....		.05	.15
Wharfage at Montreal.....	.08	.09	.09
Discharging at Montreal.....	.39	.42	.45
Water freight to Toronto.....	.79	.52	.50
Wharfage at Toronto.....	.03	.04	.04
Discharging at Toronto.....	.26	.26	.24
Preparation and Handling.....	.25	.26	.25
Commission.....	.15	.17	.16
Miscellaneous.....			.01
Total.....	\$ 9.43	\$ 8.05	\$ 7.66

Accountants' Figures Relative to Scotch Anthracite

In referring to the costs and profits of the Scotch Anthracite Coal Company it may be well to mention again the main features of this company's affiliations and method of working which were dealt with at some length in Section 3. The S. A. P. A.—Scottish Anthracite Producers Association—has placed its export trade to Canada in the hands of a British firm of coal-export merchants, Maris Export and Trading Company. The Maris company established at Montreal, some five years ago, the Scotch Anthracite Coal Company which is owned by the Maris company and acts as its Canadian distributor. Thus, S. A. P. A. coal exported to Canada is sold, first, to the Maris company, and by the Maris company to its Canadian subsidiary, the Scotch Anthracite Coal Company and this company receives the Canadian shipments and handles their wholesale distribution under an agreement whereby one-half of the profits is payable to the S. A. P. A. Thus, the prices at which S. A. P. A. coal is sold in the first instance for export to Canada are merely provisional prices to be increased later by one-half the profits made, or to be decreased by one-half the losses suffered, through the joint account in Canada. The figures quoted in the following tables and text relate to the Scotch Anthracite Coal Company's business for the years ending October 31, 1929, 1930, 1931, and 1932. These do not correspond with the company's regular fiscal years but have been adopted, for the purposes of the inquiry, owing to the delay which otherwise would have been experienced in securing data relative to the 1932 shipping season in a form comparable with the data for preceding years. It was urged, on behalf of the

company, that the effect of taking the years ending October 31 as the accounting periods, is to accentuate unduly the profits for the latest year under review. To some degree that may be the effect, but it was felt that no other course was feasible and that, by applying the same basis of accounting to a period of four successive years, no real element of injustice to the company would be involved. The report of the accountants includes a series of comprehensive statements, the principal details of which may be summarized as follows:—

Scotch Anthracite Coal Company and Scottish Anthracite Producers Association—Joint Account:—

TOTAL TONNAGE	
1929.....	119,531
1930.....	137,632
1931.....	150,252
1932.....	242,653

	Average per ton			
	1929	1930	1931	1932
Net value of sales.....	\$ 9.39	\$ 9.63	\$ 9.50	\$ 8.79
Cost of sales (purchases, carry-over, freight, unloading, wharfage, etc.).....	8.30	8.56	7.83	6.78
Gross profit.....	1.09	1.07	1.67	2.01
Selling expenses.....	.27	.27	.27	.21
Administrative and general expenses.....	.39	.29	.27	.20
Miscellaneous income.....	.01	.02	.02	.01
Miscellaneous charges (cash discounts, provision for bad debts, coal shortages, etc.).....	.21	.20	.22	.23
Provision for income tax.....		.02	.09	.17
Net profit.....	.23	.31	.84	1.21
Net Profit of Scotch Anthracite Coal Company— one-half of above.....	.115	.155	.420	.605
Return on capital employed by Scotch Anthracite Coal Company.....	5.2%	5%	12.9%	20.5%

The Economic Fuel Use of Screenings formed in the Shipment and Handling of British Anthracite

The outstanding loss or item of cost in the marketing of British anthracite in Canada is "degradation", or the formation of fines throughout the whole movement from the mines to the consumer. It is one factor of British anthracite importation, presenting itself particularly in the widening of the importer's margin or spread, for which the consumer pays heavily but receives nothing in return. Moreover the bulk of the fines thus produced—of the very highest quality anthracite—are sold at salvage prices in competition with Canadian bituminous coals.

It has already been pointed out that through the introduction of "blowers" within the past few years a small proportion of these fines, viz., the buckwheats retained over a quarter of an inch screen, has been put to high-rank use as household fuel. The screenings forming the bulk of the fines produced through degradation are still a problem of the importer and an expense to the consumer of British anthracite sold for domestic use.

In view of the cost to the consumer of this degradation the fullest inquiry was made as to what efforts had been, or were being made to develop a prac-

ticable process or stoker equipment through which these screenings might be put to use as household fuel, and thus sold at a price in line with their high fuel quality.

From the evidence given on this question it is clear that no effort is being spared to discover a method of use which will make these screenings saleable at a fair value. Much experimental work has been carried on in Wales in the briquetting of anthracite dusts, and briquettes made of a mixture of anthracite screenings and fines of low volatile bituminous coals with a pitch binding medium have been on the Welsh market for many years, finding a ready sale on the continent. These have not found a ready sale in Canada—where they have been tried out—since they are not smokefree owing to the pitch content. The Canadian Welsh Anthracite Company in the early years of the Canadian importation of Welsh anthracite erected a small briquetting plant on its dock at Montreal and incurred heavy expense in experimental work for the development of a practicable briquette which would meet the approval of the Canadian consumer, but with little success, and finally abandoned the project.

It was stated in evidence further that the American anthracite interests which are also keenly interested by reason of the commercial advantages from such processing in relation to the huge banks or dumps of dusts at their mines, are leaving no stone unturned in the matter.

One retail dealer stated in evidence that some of his customers were successfully burning a half and half mixture of Welsh screenings and low-volatile bituminous coal in ordinary household furnaces and boilers equipped with one or other of the small mechanical stokers now on the market. Another stated that a specially low priced mixture of Welsh buckwheats and screenings was giving full satisfaction to some of his customers who had installed the ordinary "blower" equipment.

Recent developments are along the line of grinding the screenings to a very fine dust, and its use in specially designed pulverized fuel burners in industrial boilers. One witness stated that mechanical stokers had recently been placed on the market which were claimed to be completely successful in the burning of anthracite screenings. While these stokers are for use in large industrial boilers it is reasonable to expect that in due course they will be adapted for use with small household heating equipment.

It is evident that the problem of the reclamation of anthracite screenings for high-rank use is receiving the fullest attention of combustion engineers—and that its solution is only a matter of time. When that solution is reached the anthracite consumer should undoubtedly benefit by a substantial price reduction, regardless of whether he uses domestic sizes or buckwheats—through the elimination of the degradation losses referred to by Sir Alfred Cope as "the bug bear" of the Welsh anthracite import trade.

VII.—THE EXPORT PRICES, AND THE QUALITY OF BRITISH ANTHRACITE EXPORTED TO CANADA

Between the pithead prices of anthracite in Great Britain, and the c.i.f. prices at Canadian ports as paid by Canadian importers, there is a substantial margin or spread required to cover transportation and other charges. For example, the c.i.f. price at Montreal, for Welsh coal shipped from the collieries of the Amalgamated company, consists of the pithead price plus the following additions: an average rail haul charge of two shillings per gross ton for transporting the coal from the colliery to the dock; dock and insurance charges of 10½ pence per ton; and an average ocean freight cost of seven shillings per gross ton for vessel transportation from Swansea or other Welsh points of shipment to Quebec, Montreal or other St. Lawrence ports. So far as costs and other conditions or factors in Great Britain are concerned, it was felt that, under the terms of reference governing the inquiry, investigation should be limited to matters bearing particularly and directly upon the trade with Canada. British producers and exporters, it should be said, co-operated freely in furnishing information relative not merely to those subjects but to many others associated with the anthracite trade and industry in Great Britain and in other countries.

Export Prices

Primary attention was paid to the level of c.i.f. prices to Canada, as compared with the prices to other markets. Evidence obtained from different quarters appears adequately to establish the fact that prices to Canadian importers are not out of line with those to buyers elsewhere. In some important instances, safeguards against possible discrimination have been inserted in the contracts between the producer or exporter and the Canadian purchaser. Other evidence took the form of well authenticated statements comparing the exporter's prices to Canada with those to other export markets and showing the Canadian buyer's position to be one of advantage rather than the reverse. Such statements were submitted in confidence and, for obvious commercial reasons, should not be regarded as being available for publication. The subject of prices to various markets, including Canada, was referred to as follows by Sir Alfred Cope:—

"In the Home market prices vary according to season, summer prices being lower than those of winter to encourage the retail distributors and the consuming public to stock coal in the summer months to meet their winter requirements. Export prices are however fairly constant throughout the year, and are fixed at the commencement of the contracting season, which begins in January and runs until February or March according to the market, during which contracting period the bulk of the disposals are made. Export prices vary from market to market according to demand—according to the competition that the coal is up against in a particular market. Export sales in small quantities are transacted throughout the year but at prices higher than for contract. Importers, except for Canada, take their shipments in equal monthly quantities over the whole twelve months—their contracts being on a yearly basis. Prices for the Home market are usually slightly higher than the Export prices due entirely to the absence of degradation, the coal for the Home market going direct in wagon from pit to retail distributors and thence to consumers.

"This difference between Home and Export prices caused an investigation to be made some time ago by representatives of the American Embassy in London who at first sight suspected 'dumping' but such representatives were satisfied, having regard to the heavy degradation at shipment and discharge together with the screening costs on the American side and the low selling price of the screenings, that 'dumping' was not taking place. The percentage of degradation which occurs in a particular grade of coal shipped to a particular market has become fairly well known and consideration from

time to time has been given to a suggestion that by recognizing such degradation percentage, prices of domestic sizes for Export markets should be based on the percentage of domestic sizes found on discharge, another sales price being fixed for the screenings; this method would of course mean a far higher price for the domestic sizes as received than the present sales prices, but obviously a far lower price for the screenings; importers, however, appreciate that this method could give them an unfair advantage over the Exporters leading to frequent dispute, and the present method which is really the average of the higher priced domestic sizes as received and of the lower priced screenings as received, continues as the most equitable method obtainable in the circumstance. . . .

"But whatever may be said the fact remains that the Canadian consumer in Quebec, Montreal, and Toronto is obtaining Welsh anthracite supplies at about the same price as his fellow consumer in Great Britain, notwithstanding that the resident of London on this side of the Atlantic is about 220 miles distant from the seat of production as against the 3,000 miles of ocean, the reason being that the freight to Montreal is 7/- against a rail haul charge to London of 12/-; and the Canadian Importer, notwithstanding the heavy degradation which takes place, is taking in and carrying his stocks during the summer months in readiness for his winter demand, thus relieving the producer of the stock-carrying service which he has to perform for the London consumer. Taking 1932 retail prices for comparison, the Canadian consumer from October onwards is paying \$14.50 per net ton for domestic sizes which is equal to \$16.24 per gross ton. In the sworn statement attached hereto the London retail price for 1932 for domestic sizes is 64/- per gross ton but this is the average of summer and winter prices for the year, the winter prices operating at this date being 67/6 which at the par rate of exchange, which it is submitted is the correct rate for price comparison, is equal to \$16.42 per gross ton. Similarly, the Canadian consumer is paying \$10.25 per net ton for No. 1 Buckwheats which is equivalent to \$11.48 per gross ton; the consumer in London is paying \$11.90 per gross ton."

The figure of \$14.50 per ton, mentioned in the latter part of the foregoing quotation as being the price of Welsh cobbles in Canada, applies only to a portion of the Canadian market, notably the Montreal area, which admittedly, is the great consuming territory for British coal in Canada. Prices elsewhere have been above that level, in some cities substantially so. But, in any event, it is clear that the Canadian consumer is now able to purchase British anthracite at prices which are either below or closely similar to those paid by consumers in Great Britain.

Quality of Welsh shipments

Apart from the level of prices charged to Canadian purchasers as compared with the prices charged to buyers elsewhere, the purposes of the inquiry called for attention to be paid to the domestic aspects of the British industry and trade chiefly in connection with the quality of coal shipped to Canada. The problem of variant quality does not arise with respect to Scotch anthracite, but it is a cardinal feature of the Welsh product. At first glance, the question of quality may appear to have no relation to the spread or margin in price between the producer and the Canadian importer, but it is, in actual effect, a most important factor. Price comparisons may tend to demonstrate, beyond doubt, that Canada is getting British coal at favourable prices, but the accuracy of such comparisons is subject always to the reservation that the grades of coal must be similar. Cargo shipments for the Canadian trade, whether of "large" coal or of sized coal, are not clear cargoes of a single grade. They are mixtures, composed of varying proportions of "firsts," "seconds" and "thirds," or of other grades, and, as has already been mentioned, the coal from certain collieries may be graded as "second" by one classification and as "third" by another.

Relatively little Welsh coal of first grade comes to Canada. The price is high, and the supply limited. It is required mainly for the French trade, and for the use of certain British industries for which it is peculiarly adapted. The bulk of the coal exported to this country is a mixture of second and third grades. The position taken both by the producers and by the importers gener-

ally is that the shipment of second and third grade coals, rather than of first grade, involves no discrimination whatever against the Canadian market, and certainly no disadvantage to the Canadian consumer—providing, always, that in the composition of cargoes the really inferior grades of anthracite and of non-anthracite substitutes are strictly excluded. It was explained that the difference between first, second and third grades is almost entirely a matter of friability rather than of burning quality. The lower grades suffer heavier degradation, but that is compensated for by lower prices, and if the coal is properly prepared and marketed, the consumer is not being injured in any manner or degree. Further, the exporters and producers declared that, even if supplies of first grade coal were made available to Canada by diversion from other markets, the Canadian trade could not afford to pay the price premium. That statement is difficult to reconcile with the contention that differences in degradation account for the difference in price—unless a further and special premium also attaches to the very select grades. The high prices quoted for the top grades in trade journals suggest that this is the case, and trial shipment to Canada of clear, first grade coal on a limited scale has confirmed the view that the results do not justify the higher prices.

The relative amounts of second and third grades that enter into Canadian shipments are difficult to determine in the absence of colliery classifications that are generally accepted and recognized. The imports of domestic sizes of Welsh coal by one firm in 1932 would be classed as consisting of seconds to the extent of more than three-quarters of the total, according to one classification; another classification places the same shipments in the third grade to the extent of nearly 90 per cent. The absence of less mutable methods of grading makes it impossible to attach much significance to any percentage figures purporting to indicate, by grades, the composition of a given cargo. And, while Canadian purchasers are accustomed to receive the colliery certificates showing the mine origin of the contents of each cargo, the largest importers have instituted a much closer check upon quality than the colliery certificates alone afford. At their own expense they have maintained inspectors in Wales responsible for inspecting shipments and for rejecting coal which is manifestly under standard or which experience has demonstrated to be unsatisfactory for the Canadian market. The correspondence and other records relative to the practical working of this inspection system leave no doubt that it operates as an effective check upon the inclusion of inferior lots of coal in the shipments which comprise the bulk of Welsh exports to the Dominion.

Granting full force to the representations made by producers, exporters and importers, it is not at all clear that their views can or should be accepted as the final word on the subject of coal quality. It may be quite true that price considerations bar the shipment to Canada of what may be called the cream of the Welsh anthracite. And it may be equally true that the respective percentages of seconds and thirds do not materially affect the price to the consumer—that, as a result of their respective prices and degradation losses, their costs reach virtually the same level before the coal leaves the importer's hands. All that may be so, but it seems to overlook a factor of real importance to the consumer. The consumer is interested not only in price but in the degradation of the coal as it appears in his bin. Both the importer and the retailer may have done their best to remove the fines, but Welsh coal is so friable that the consumer seldom escapes some amount of degradation. The better the grade of coal, the less will be the final degradation that falls on the consumer. Thus, while the importer may regard the difference between "seconds" and "thirds" as being a case of six of one and half a dozen of the other, that fact merely lends added force to the desirability of raising the average grade of imports. On his own evidence, it should be immaterial to the importer, as

regards his own costs, and it should unquestionably be of real advantage to the final purchaser, to reduce the proportion of thirds and to increase that of seconds.

One further subject relative to the quality of Welsh coal requires mention. The problem is one which relates to conditions originating in Wales rather than in Canada, but it directly affects the quality of a portion of the Welsh coal entering this country. Very limited sources of supply are available to Welsh exporters who are not mine-owners but who desire to engage in the Canadian trade, or to Canadian coal merchants who wish to import direct instead of taking their supplies from Canadian firms who have connections with the larger Welsh producers. Such firms, either in Great Britain or in Canada, find themselves restricted, first, by the fact that the Amalgamated company, the major Welsh producer, has entered into exclusive contracts governing the import of its coal into Canada, and, secondly, by the fact that to a great extent the independent Welsh mines have, from year to year, granted similar rights. The remaining volume of coal of good grades is so limited that coal which has been described as of very inferior quality has found its way to the Canadian market through exporters and importers who have been unable to get access to supplies of higher standard. Naturally, these importers and exporters have repudiated any suggestion that their coal has been inferior in burning quality, and the volume of such imports has formed a very small portion of the total; but the situation does tend to bring on to the Canadian market some Welsh coal of a standard which, under other circumstances, might not be imported.

Notwithstanding the breadth of information so willingly and freely furnished by witnesses who are engaged in a large way in the production and export of Welsh coal, the quality of shipments to Canada is one subject in respect to which the inquiry suffered some degree of handicap, since it was impossible to clear up, as conclusively as could be desired, some questions of prime importance in relation to that subject. Full credit should be given to producers, exporters, and importers for the steps that have been taken to inspect shipments to Canada and to do away with the irregularities of quality that occurred in the earlier years of the trade. Yet it is difficult to accept, as a final statement of the case, that the average quality of coal now being shipped is as high as is commercially feasible, making full allowance for the limited volume of supplies of the various grades and for the demand of other markets. Canada has become a market of first-rank importance to the Welsh industry, and the quality of coal to be sent to this country is entitled to be given consideration in the light of that fact, with adequate regard to the position of the consumer and the retailer as well as to that of the producer and the importer.

VIII—DISTRIBUTION OF THE CONSUMER'S COST OF ANTHRACITE

No report of an investigation into the importation and distribution of anthracite in Canada would be complete unless it included a statement setting out the distribution of the price paid by the consumer. The question to be answered might be stated thus: "How much of the consumer's cost price of one ton of coal as delivered into his cellar is received by each of the agencies constituting the chain of supply and distribution?"

It is a simple matter to determine the distribution of the retail price of American anthracite. Each step in the movement from the mines to the consumer is clearly defined. For all practical purposes the coal as shipped from the mines is placed in the consumer's bin with no loss or degradation. It requires no processing after it has been placed on the railway car for delivery.

Following is the distribution of consumer's costs of American Stove Anthracite as delivered in Ottawa and Montreal on the basis of the cash prices for the past winter:—

DISTRIBUTION OF CONSUMER'S COST OF 1 TON OF AMERICAN STOVE ANTHRACITE

Distribution	Ottawa	Montreal
(1) American Mine Operator, and Wholesaler.....	\$ 7.05	\$ 7.05
(2) Railways (x).....	4.73	4.49
(3) Federal Government: (a) Duty.....	.50	.50
(b) Excise Tax.....	.27	.27
(4) Retail Coal Dealer.....	3.20	2.44
Total.....	\$ 15.75	\$ 14.75

(x) As the freight rates to Ottawa and Montreal are "through" rates, the division as between Canadian and American railways which is a private arrangement between the railways concerned is not available.

The determination of the distribution of the consumer's cost price of British anthracite is an entirely different problem, complicated by the degradation (in the domestic sizes) which increases with each handling and transfer.

The break-down of importer's costs as usually prepared shows this degradation as a loss amounting to so much per ton of domestic sizes imported or per ton sold—but no inkling is given as to who receives the money thus lost. Such a break-down is therefore of no direct assistance in apportioning the consumer's cost. Further when British anthracite in domestic sizes is shipped inland from the importer's docks it undergoes further degradation so that the ton of cobbles bought by the dealer when screened—as screened or forked it must be—will yield less than a ton for delivery to the consumer. The question again arises as to who ultimately is paid for this second degradation loss.

For the purpose of this determination it was considered that the only practicable method of approach for arrival at a true distribution of costs would be to work backward from the consumer to the British exporter to determine the quantity of cobbles, as a typical domestic size, which the latter must ship to furnish the former's ton, and to adjust costs on the basis of the true values of the "fines" formed en route as described in the next paragraph.

CHART No 8

SHOWING

COMPARATIVE COSTS TO THE CONSUMER OF WELSH COBBLES AND AMERICAN STOVE COAL AND DISTRIBUTION OF THOSE COSTS IN DEC. 1932.

(A) ON TON FOR TON BASIS, (B) ON QUALITY BASIS OF 9 TONS WELSH IS EQUIVALENT TO 10 TONS OF AMERICAN STOVE

OTTAWA

1 Ton Welsh Cobbles

WELSH MINER AND SERVICES TO SWANSEA \$7.98	FREIGHT TO MONTREAL \$1.30	MONTREAL IMPORTER & HARBOUR DUES \$2.40 EXCISE TAX .27	RAILWAYS MONTREAL TO OTTAWA \$1.51	OTTAWA DEALER \$3.29	\$16.75
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1 Ton American Stove (= .9 Ton Welsh)

(A) AMERICAN MINER AND WHOLESALE \$7.05	RAILWAY FREIGHT \$4.72	DUTY AND EXC TAX \$1.77	OTTAWA DEALER \$3.20	\$15.75
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1 1/2 Tons American Stove (= 1 Ton Welsh)

(B) AMERICAN MINER AND WHOLESALE \$7.83	RAILWAY FREIGHT \$5.25	DUTY AND EXC TAX \$1.85	OTTAWA DEALER \$3.57	\$17.50
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MONTREAL

1 Ton Welsh Cobbles

WELSH MINER AND SERVICES TO SWANSEA \$7.69	FREIGHT TO MONTREAL \$1.30	MONTREAL IMPORTER & HARBOUR DUES \$2.50 EXCISE TAX .26	MONTREAL DEALER \$2.75	\$14.50
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1 Ton American Stove (= .9 Ton Welsh)

(A) AMERICAN MINER AND WHOLESALE \$7.05	RAILWAY FREIGHT \$4.49	DUTY AND EXC TAX \$1.77	MONTREAL DEALER \$2.44	\$14.75
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1 1/2 Tons American Stove (= 1 Ton Welsh)

(B) AMERICAN MINER AND WHOLESALE \$7.83	RAILWAY FREIGHT \$4.99	DUTY AND EXC TAX \$1.85	MONTREAL DEALER \$2.71	\$16.39
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The experience of the largest Montreal importer of Welsh anthracite in 1930 and 1931 shows that screened cobbles loaded on vessel at Swansea when screened at Montreal produced 75.12 per cent cobbles, 3.33 per cent buckwheats, and 20.44 per cent screenings; 1.11 per cent has disappeared entirely, mostly lost overboard in unloading or blown away as dust. Thus to obtain a ton of cobbles for delivery at his dock to a Montreal consumer the Montreal importer must buy and pay for at cobbles prices 2,662 lbs. of cobbles as loaded on vessel at Swansea. To put it in another way, the Welsh exporter at Swansea sells as cobbles at full price a parcel which in effect contains only 2,000 lbs. of cobbles with 633 lbs. of buckwheats and screenings and is short in weight by 29 lbs. The Welsh exporter's share of the consumer's cost price of the delivered ton of cobbles will thus amount to the sales realization of the whole 2,662 pounds at cobbles price less the actual value of the buckwheats and screenings at his Swansea prices for those fines. It is evident that degradation in terms of consumer's costs means the purchase of fines at prices of domestic sizes; and that degradation losses are paid to the exporter, i.e., at the point where the degradation has not yet commenced.

Similarly in the case of rail shipments inland from Montreal, as to Ottawa, a second degradation takes place amounting, according to an Ottawa dealer, to roughly 5 per cent or 100 lbs. in a ton of cobbles as loaded on cars at Montreal. Of this 100 lbs. of fines roughly 40 are buckwheats and 60 are screenings. This means that for each 2,000 lbs. of cobbles received by the Ottawa dealer suitable for delivery to the consumer he must buy and pay for 2,100 lbs. of cobbles at Montreal. The Montreal importer in turn has to buy from the Welsh exporter not the 2,662 lbs. of cobbles necessary to supply a ton of cobbles to the Montreal consumer but the 2,796 lbs. required to yield 2,100 lbs. cobbles to be shipped to Ottawa. The Welsh exporter thus receives a larger amount from the Ottawa consumer's purchase price than from that of the Montreal consumer. It might be pointed out that this larger amount is common to all inland rail shipments from Montreal as the degradation occurs almost entirely in loading and handling from car into and out of the dealer's yard, and not in transit.

The distribution of the cost of one ton of Welsh cobbles as delivered to a Montreal consumer has been determined on the foregoing basis; also as delivered to an Ottawa consumer and applicable to any inland point served by rail from Montreal except for rail freight differentials. It has been determined on the basis of actual prices paid by the largest Montreal importer for Welsh coals in 1932, his actual cost of sterling, and his cash wholesale prices applying during the past winter—the latter being prices ex dock for the Montreal dealers and out-of-town prices for the Ottawa dealer.

Distribution of Consumer's Cost of one ton of Welsh Cobbles.

(a) MONTREAL: Retail Price—\$14.50 per ton.

Distribution:

(1) Welsh Mine Operator and Exporter.....	\$ 7 16	
(2) Charges from Welsh mines to vessel including rail freight, weighing, loading, etc.....	53	
(3) Ship owner—Freight to Canada.....	1 30	
Outside Canada.....		8 99
(4) Excise Taxes	26	
(5) Montreal Harbour dues	09	
(6) Montreal Importer— Unloading, screening, preparation and handling, storage, selling costs, administration, coal inspection, income taxes, profits, etc.....	2 41	
(7) Retailer—Overhead, cartage, selling, etc.....	2 75	
In Canada		5 51
Total		\$14 50

(b) OTTAWA: Retail Price—\$16.75 per ton.

Distribution:

(1) Welsh mine operator and exporter.....	\$ 7 45	
(2) Charges from Welsh mines to vessel.....	53	
(3) Ship owner—Freight to Canada.....	1 30	
Outside Canada.....		9 28
(4) Excise taxes	27	
(5) Montreal Harbour dues.....	09	
(6) Montreal Importer—		
Unloading, screening, preparation and handling, storage, selling		
cost, administration, coal inspection, income taxes, profits,		
etc.....	2 31	
(7) Railway—Freight to Ottawa (net).....	1 51	
(8) Retailer at Ottawa—		
Yard expense, cartage, overhead, selling, etc.....	3 29	
In Canada		7 47
Total		\$16 75

It will be noted that the Montreal importer receives less for the coal as delivered in Ottawa than for that sold to the Montreal consumer. This is explained by the fact that his out-of-town prices are lower than his ex-dock prices by 15 cents per ton.

The work sheets for these distribution figures are included as Appendix 2.

IX.—BASIC AGREEMENTS AMONG THE PRINCIPAL IMPORTERS

The remaining sections of this report set forth the extent to which combination has been effected by the principal Canadian importers of British anthracite coal and the steps which have been taken by them in the direction of lessening competition. It includes reference to their non-competitive agreements, the fixing of common wholesale prices, the checking of the competitive efforts of independent Canadian importers and their British suppliers, as well as their agreements designed to limit the competition of other competitive fuels. Sections are included also which refer to attempts to enforce retail price agreements in the cities of Quebec and Montreal.

In the importation and wholesale distribution of British anthracite coal there is certain to be less competition, or at least fewer competitors, than in the importation and wholesale distribution of American anthracite. The latter comes in chiefly by rail, in cars of approximately fifty tons, a quantity which the ordinary retailer can readily handle and store in his own yard, and which also he should be able to finance. The wholesaler of American anthracite has little to do with these shipments outside of advertising the coal, getting and placing orders as coal is needed, providing the necessary credit and securing payment of his accounts.

British importations, on the other hand, come into our ports in cargoes of from two to seven thousand tons, quantities for which few retailers are competent to contract. Orders must be placed weeks and months in advance of shipment; supplies for the entire winter must be brought in during the navigation season, and dock and other storage space provided for these supplies. Payment may be required long before the coal is resold. Losses must be sustained owing to the heavy degradation on coal as friable as Welsh and Scotch anthracite. In addition, the wholesaler of British coal must bear the cost of physical handling, discharging from steamer, screening and reloading in cars or trucks. All this involves a financial responsibility which comparatively few are in a position to undertake. Even if there were many in such a position, the physical limits of our harbours would be another factor tending of itself to lessen the number of importers. Certainly a condition wherein each dealer attempted to do his own importing, arranging for his own cargoes, leasing his own dock space and installing his own discharging and screening equipment, would be anything but economical, would be, indeed, against the public interest. To prevent any such possibility these perfectly natural causes are operating, tending in themselves to lessen competition or at least to reduce the number of competitors.

The public interest is not best served by a host of importers. On the other hand it may be very badly served, and grave public danger may result, if control falls into too few hands, particularly if these few take it upon themselves to supplement the restrictions inherent in the industry by artificial arrangements of their own, designed still further to lessen competition.

A substantial lessening of competition was effected in March, 1929, when the basic three-year agreement was made by the Canadian Import Company, F. P. Weaver Coal Company, and the Trustee for the British Coal Corporation. This of itself may not have amounted to an undue lessening of competition in view of the conditions then existing and the experience which both exporters and importers had undergone during the immediately preceding years. That earlier experience has been referred to in Sections II and III of this report.

What this agreement and the negotiations which preceded it prescribed in the way of lessening competition between these two principal importers of Welsh coal was as follows:

Amalgamated Anthracite Collieries, Limited, of Swansea, Wales, granted to the British Coal Corporation "the exclusive agency for the sale in Canada (excepting certain territories) of all coal shipped by the Amalgamated Anthracite Collieries, Limited, to Canada either from its own mines or those controlled by it."

The British Coal Corporation appointed the Import Company and the Weaver Company its "sole distributors for Montreal and all districts normally supplied through Montreal."

"The Coal Corporation after consultation with the Import Company and the Weaver Company shall fix the minimum sale prices for each size of coal...f.o.b. cars Montreal terminals, and shall allow the Weaver Company and the Import Company off such prices twenty-five cents (25c.) per net ton on pea size and under, and thirty-five cents (35c.) per net ton above pea size, the Weaver Company and the Import Company undertaking not to market the coal at less than the minimum prices and on agreed terms except by mutual agreement between themselves and the Coal Corporation, it being agreed that any price premium obtained by either the Weaver Company or the Import Company over the prices fixed as above shall accrue to the Company which obtains it."

"In the event of Scotch Anthracite being imported and/or controlled by the Coal Corporation the Import Company and the Weaver Company shall purchase and distribute such coal under similar conditions at prices to be mutually arranged on the same basis of determining costs as in the case of Welsh anthracite."

"The Coal Corporation shall appoint the Import Company as its sole distributor for British anthracite in the City of Quebec and district."

"The Import Company and the Weaver Company shall mutually arrange the division of customers with a view to as near as possible a fifty-fifty division of tonnage (disturbing as little as possible existing connections) and shall in the same way arrange for the maintenance of such wholesale and retail prices as they may decide upon from time to time during such time as they are the sole distributors of British anthracite, the Coal Corporation to decide prices to the trade if any differences of opinion should arise between these two parties."

"In connection with the foregoing it is the intention to adhere to present price differentials between American anthracite and Welsh anthracite in establishing prices to the trade as far as it is possible so to do."

"It is agreed that neither the Import Company nor the Weaver Company shall grant to any customer or customers any rebate or reduction in price or any favour or discrimination of any kind."

"It is further understood that the appointment of the Weaver Company as sole distributor with the Import Company of British anthracite as hereby made is conditional on the approval by Amalgamated Anthracite Collieries of the distribution and sale of Russian Anthracite in Canada by the Weaver Company, the Weaver Company undertaking if such approval is given to fulfil and comply with the conditions set out in the memorandum marked "A" relating to Russian anthracite as prepared by Sir Alfred Cope and hereto attached."

"It is understood and agreed that neither the Import Company nor the Weaver Company shall directly or indirectly, except with the prior consent of the Coal Corporation, deal in, receive, market or distribute in Canada any Anthracite (present stocks excepted. . .) other than that supplied to them by the Coal Corporation except American anthracite or in the case of the Weaver Company, Russian anthracite subject to the terms of said memorandum "A" nor any dry-steam semi-anthracite or anthracite fuels produced elsewhere than in the United States or Canada. For the purposes of this clause the Weaver Company and the Import Company will be deemed to include all subsidiaries or associated companies of either and all persons, firms, corporations, etc., controlled by either."

Memorandum "A" attached to this agreement included the following clauses regarding Russian coal:

"The Weaver Coal Company undertakes not to offer for sale or deliver Russian anthracite in the four cities of Quebec, Montreal, Ottawa and Toronto."

"Where the Weaver Coal Company makes sales to a Corporation or individual handling Welsh anthracite, Weaver will not permit them to reduce their purchases of Welsh anthracite and substitute Russian."

"If Canadian Import submit evidence that one or more of their customers are reducing their purchases of Welsh anthracite because of this substitution of Russian anthracite, Weaver will not continue to supply Russian anthracite until the situation is corrected."

"If in the opinion of Amalgamated Anthracite Collieries the importation of Russian anthracite into Canada is prejudicial to the interest of Amalgamated Anthracite Collieries or British Coal Corporation, Amalgamated Anthracite Collieries may give not less than three months' notice to Weavers requiring Weavers to discontinue the disposal or marketing of Russian anthracite as from 31st of March then next following the giving of the notice and in the event of Weavers not complying with the terms of the notice the sales agency granted by British Coal Corporation to Weavers for the sale of British anthracite shall thereupon terminate without compensation to Weaver. And notwithstanding that such termination may take effect prior to the 31st of March, 1932, Weaver undertakes to fulfil each and every of their above stated undertakings relating to the disposal of Russian anthracite until the 31st of March, 1932."

The agreement of March, 1929, was supplemented by another, dated April 14, 1930, between Amalgamated Anthracite Collieries, Limited, and British Coal Corporation of Canada. Under this agreement, the exclusive right which British Coal Corporation had been granted to import Amalgamated Anthracite coal into Canada was extended for a period of ten years.

The provisions of this agreement include the following:

"For the purpose of this Agreement Canada shall be deemed to be that part of Canada situated between the Atlantic Seaboard and Winnipeg but shall not include Toronto and the district usually served therefrom or the Maritime Provinces of Nova Scotia and New Brunswick (except St. Stephen's) or Newfoundland."

British Coal Corporation undertook "not to handle, trade in or distribute except with the prior consent of A.A.C. any European anthracite, semi-anthracite or anthracitic or dry steam coal or any coke of European origin other than may be supplied to B.C.C. by A.A.C., and B.C.C. undertakes that no subsidiary or associated company or party controlled by it shall in Canada deal in any such European coal or coke without the consent of A.A.C."

"B.C.C. shall be entitled to appoint sales agents (exclusive or otherwise) . . . provided that it shall be a condition of the appointment of any sales agent to whom it is proposed to grant terms or privileges not usually granted to ordinary customers or purchasers that as far as possible he shall not in Canada deal in or trade in any of the European coal or coke referred to in Clause 2 (c) hereof without the consent of B.C.C., which consent B.C.C. agrees shall not be given except with the prior authority of A.A.C."

"A.A.C. shall throughout the period of this agreement have the sole and exclusive right to supply, sell and distribute anthracite in the territories mentioned in Clause 1 as not included in this agreement and shall be entitled to appoint exclusive sales agents in those areas, but A.A.C. agrees to pay to B.C.C. a commission of twelve cents per gross ton of anthracite sent by them or their agents to Toronto and district and of ten cents per gross ton sent by them or their agents to Nova Scotia and New Brunswick (except St. Stephen's) but such coal shall not be sold or disposed of in the territory allocated to B.C.C. under this agreement."

A later agreement was entered into on February 25, 1932, by British Coal Corporation and the Canadian Import Company and the F. P. Weaver Coal Company. This agreement was never signed by the parties but was initialled and "acted upon as if signed." (Evidence, p. 91). It provides for the continuance of the 1929 contract for a further period of three years. Among its other provisions are the following:—

"Each party to continue serving their respective customers, as existed during the coal year 1931-32, subject to such adjustments as may be mutually agreed upon with respect to certain customers now being served on a fifty-fifty (50-50) basis by The Canadian Import Co., Ltd., and the F. P. Weaver Coal Co., Ltd."

"In the event of Russian coal being allowed to again enter Canada during the period covered by this extension of agreement, the F. P. Weaver Coal Co., Ltd., to undertake to consult with The Canadian Import Co., Ltd., and to mutually agree as to the best manner of distribution, price structure, etc., before handling the said Russian coal—all with a view to affording maximum protection to the Welsh coal trade in this market."

The clause in the 1929 agreement regarding the fixing of minimum sale prices was repeated, the only change made being in the discounts allowed by British Coal Corporation to the Import Company and the Weaver Company: an advance from 25c. to 45c. per net ton on pea size and under, and from 35c. to 50c. above pea size.

One further agreement should be noted at this stage, entered into on July 5, 1932, between T. T. Pascoe, Limited, of Swansea, Wales, and the F. P. Weaver Coal Company, Limited. The agreement sets forth that the Pascoe Company "enjoys the following monopolies":—

"A. The sole right to sell the coal of the following collieries in the provinces of Quebec and Ontario, Canada, for 1932—S. R., Pontherry, Cwmgwrach, Cefn Mawr, Brynhenllys, Rhydd, Dulais.

"B. The following collieries have agreed not to sell their coal for shipment to the provinces of Quebec and Ontario, Canada, for 1932 to others without first offering same to seller—Emlyn, Hook, Nantgwyn, Pontyclere, Glanamman, Glantweh.

"C. The following collieries will not bind themselves not to make further sales to others for shipment to the provinces of Quebec and Ontario, Canada, for 1932 in sizes mentioned: Onllwyn, Seven Sisters."

The Pascoe Company further guaranteed:—

"D. Not to ship Welsh anthracite coal to the provinces of Quebec and Ontario, Canada, during 1932 or during 1933 and 1934 provided quantities, sizes, prices and terms are mutually agreed as provided for by Clause 3 hereof except to or through the buyer and the firm of Hartt and Adair Coal Co., Ltd. (excepting the sale already made to the firms of Madden and Son, Quebec, of 4,500 tons).

"E. Not to make shipments of Welsh anthracite coal to Toronto, Ontario, except to the buyer only during 1932 or during 1933 and 1934 provided quantities, sizes, prices and terms are mutually agreed as provided for by Clause 3 hereof."

The Weaver Company agreed to buy 75,000 gross tons during the 1932 season, but was given the option of reducing or increasing this quantity by 20 per cent. Decision was made to take the minimum quantity after discussion with the President of the Canadian Import Company, who had indirectly acquired control of the Weaver Company.

One clause, which reads as follows, related to the importation of German coal:—

"In consideration of the desire expressed by the British and Canadian interests to limit the importation of German coal, especially in the sizes competing with Welsh, the seller agrees, subject to their contractual obligations already made, for about 18,000 tons of German peas and grains for shipment during the year 1932, which they will use their best efforts to minimize, to conform during the year 1932 to the same policy as is adopted and carried out by all other British interests including British Coal Corporation, Canadian Import, Hartt and Adair Coal Co., Ltd., and buyer, in limiting importations of German coal; and the buyer agrees during the same period not to import any German anthracite provided the other importers of Welsh coal named herein observe the same policy."

X.—LESSENING COMPETITION OF OTHER EXPORTERS AND IMPORTERS

The sources of supply of Welsh anthracite coal have been greatly limited, as already noted, by reason of the amalgamations of collieries which have taken place in Wales in recent years. Sir Alfred Cope stated in evidence:

"As the result of all those collieries coming under the head of one management, my company then [in 1928] had an output of about four and a quarter million tons per annum.... out of a total output of five and a half to five and three-quarter millions.... That is the present position, except that we have increased our output about one-quarter million tons." (Evidence, p. 341).

In addition to this output of its own collieries, the Amalgamated Company bought further supplies from independent mines, sometimes for the purpose of keeping them off the market, as Sir Alfred states in the following letter of January 13, 1930, to Hon. L. C. Webster, President of the British Coal Corporation and of the Canadian Import Company. In this letter Sir Alfred referred to the fact that his quantities were short of the Import Company's estimated requirements by 25,000 tons of large coal:

"We shall, in the case of large, have to acquire twenty to thirty thousand tons of Evans Bevan and it will interest you to know that we shall have to pay at least 1/6d. a ton more than our price to you so that you will see that the acquisition of outside coals for the purpose of keeping others off the market is not a particularly attractive one to us although we shall not hesitate to do this and to act similarly if necessary in the case of peas so as to ensure as much as possible going through you and as little as possible to your competitors."

In the above instance it is apparent that the double purpose was served of supplementing the Amalgamated's supply and at the same time protecting the Import Company against its competitors. Frequent requests have been made by the Import Company of Sir Alfred Cope to buy up supplies which the Pascoe Company or other exporters might secure, or to invite the co-operation of Sir Frederick Lewis, the head of the Pascoe Company, with the view of better controlling the Montreal situation. Immediately on his return from England on January 30, 1930, Senator Webster cabled:

"Arrived. Would appreciate learning results Adair interview, also if you or Szarvasy met Sir Frederick Lewis and Pascoe's intentions and possibilities co-operation this year."

This was followed up by a letter of February 3:

"I presume you are still on the lookout for further tonnage so that we may cover the quantity of tonnage required, ahead of Pascoe."

"I shall be glad to hear from you as to what you are able to fix up with Pascoe or Adair in regard to their pinpricking policy in this market."

Sir Alfred's answer to this inquiry was made on February 4, as follows:

"Met Adair yesterday. He refuses, states price co-operation only thing possible. Writing." (Evidence, p. 507).

To this Senator Webster replied:

"Note Adair's attitude. Can you do anything with Pascoe or Sir Frederick that would lead our friend into a more reasonable attitude."

The proposition which Adair had refused was that all Welsh coal should be shipped to one dock in Montreal. "He would not," as Sir Alfred's evidence put it, "come under the umbrella of the British Coal Corporation at all." (Evidence, p. 508).

Questioned further on this point, Sir Alfred indicated the object of this centralization:

"Q. Why should all the coal come in on the one dock?—A. To save money,—we would save money.

"Q. When you say 'we,' do you mean the Amalgamated?—A. No, the whole show. Operating expenses on this side would be less, and either we should make more profits or—and perhaps I would get a share of them, and so would the importer. We may have possibly thought the consumer would get a lower price.

"Q. You might possibly have thought that?—A. Yes.

"Q. In other words, you wanted to concentrate the unloading and discharging and cleaning in the hands of one group?—A. Yes.

"Q. With no competition on that line at all?—A. Correct, that was the idea. We believed, and still believe that that leads to efficiency." (Evidence, pp. 508-9).

That proposal having failed, Senator Webster broached another, on July 16, 1930, in a letter to Sir Alfred Cope which reads as follows:

"You will recall our discussion last winter regarding the advisability of negotiating and securing, some time during the summer months of 1930, large blocks of Peas and Grains for the Canadian market.

"I would be glad if you would give this matter some thought. It would be in our joint interests for you to make a contract with some of your mines that are at present supplying Pascoe with their Peas and Grains. I had in mind that in the present condition of the coal trade in Wales we should get control of several parcels of these small sizes. We could handle and dispose of all the coal that Pascoe is selling in this market.

"You might consider contracting for these Peas and Grains for a term of years, which might inconvenience our opponents. I recall that you mentioned that these coals would be controlled by you in the course of a year or two, but getting them in line for 1931 might be wiser, and this might be an opportune time to work on this proposition. Could you get some prompt action in this matter?" (Evidence, p. 510).

The opponents who might be "inconvenienced" were Hartt and Adair, according to Sir Alfred Cope, whose evidence continued:

"Q. The idea was to buy out his available supply of Welsh?—A. Yes, on our side." (Evidence, p. 511).

Senator Webster continued to urge action, and in October, 1930, cabled again to Sir Alfred Cope:

"Have you succeeded contracting for further quantities buckwheat and peas for next season? Understand you or Merrett expect to tie up with some mines now supplying Pascoe also that you mentioned last winter this would have your attention this summer."

Questioned concerning this cable, Sir Alfred stated that he had not tied up any of these mines; he had "bought some, but the quality was so bad that the inspector turned them down." (Evidence, p. 511).

The initiative was again taken by Senator Webster in a letter to Sir Alfred Cope on November 26, 1930:

"I shall be glad to learn the position of the Evans and Bevans output, and whether you have arranged with them that neither Berg nor Pascoe shall get any of their coal.

"I shall also be glad to hear the results of your negotiations with Emlyn, Ponthenry and other collieries which furnished Pascoe with the larger portion of their requirements during 1930."

Such attempts to control supply were apparently inadequate, and the records from early in 1931 show evidence of more conciliatory treatment, and invitations to co-operate. On January 5, 1931, Senator Webster cabled to Sir Alfred Cope as follows:

"Charlie McLeay representing Pascoe informs me he sails this week Mauretania meet Piercey and discuss anthracite situation coming season. McLeay appears willing work together for mutual advantage. Suggest you reach Piercey with view better controlling Montreal situation even selling them some Welsh through British Coal Corporation at Montreal." (Evidence, p. 517).

Having failed to prevent Pascoe getting supplies, they were now willing to work with Pascoe with the view of "better controlling Montreal situation."

The possibility of competition in Quebec City appears to have been a matter of concern about the same time, due to the possible invasion of this territory by Hartt and Adair. On February 24, 1931, Senator Webster wrote to Sir Alfred Cope about the matter:

"I understand from Mr. Stobo that Mr. Fleming and Mr. Piercey were in Quebec last week interviewing the coal merchants there with a view to trying to sell some Welsh coal in Quebec. I may have some further details of their visit when I next reach Mr. Stobo, but we know that they have been in to see our customers. I realize that we must be prepared for this competition, but if it can be avoided, naturally it builds up a better market and prices for all concerned."

Sir Alfred's part in assisting to meet the difficulty is suggested in the same letter:

"I was wondering if you or Mr. Szarvasy would have an opportunity of seeing Sir Frederick Lewis in the near future in regard to the Welsh situation. It does seem to me that some arrangement for our mutual advantage ought to be worked out, even though some of our friends on this side are not altogether sympathetic to this view."

A similar request was made on March 2, 1931, that the Pascoe interests should be approached regarding the competition of German coal as well as of Welsh:

"Would it not also be in our joint interest for Mr. Szarvasy or yourself to inform Sir Frederick Lewis of what we have been able to accomplish and play on this string as a further reason why there should not be unnecessary competition in Welsh coal between us, and with what we have done here to help the Welsh situation we should not be forced to encounter more opposition from German coals."

This was followed up by another request, of March 23, 1932:

"It will be interesting to know whether he [Mr. Piercey, Director of the Pascoe Company] purposes continuing to push German buckwheats in this market, or if there is still some way in which you can bring him to time, especially as regards Welsh shipments to Canada."

Threats of more drastic measures to discourage competition from Welsh coal supplied by the Pascoe Company were made as appears from a letter from Senator Webster to Sir Alfred Cope on May 28, 1931:

"Our friend Mr. Piercey has apparently spent most of this year in Montreal and district. It would seem to me that he must be working with Hartt and Adair and others with a view to placing some coal in this market . . . I told him I understood he was in touch with Rogers and some of our other customers, and that if he pursued that policy or tried to sell our clients, we would consider such action on his part as very unfriendly. It would mean that we would go in and see what we could do to take away some business from Hart and Adair and the Century."

Sir Alfred Cope's comment on this correspondence was that

"It is the usual custom in the coal trade, if you are going to carry on an honourable trade, not to cut the fellows who sell against you. We do not cut into each other's customers. We do not need them. We do not in France. Piercey was going to people who had been taking our coal. The net result of that is that you start striving for your customers." (Evidence, pp. 512-3).

At the suggestion of Senator Webster an understanding was reached between the two Welsh sources of supply, the Amalgamated and the Pascoe companies, whereby Pascoe might purchase freely from independent mines without interference by Amalgamated interests. In return the Pascoe Company undertook to refrain from shipping German anthracite into Canada. The arrangement was described as follows by Sir Alfred Cope in evidence:

"We said if they would keep away from German coal we would not stand in their way at all from buying independent coal, but would give them a cheaper price." (Evidence, p. 518).

Another part of the arrangement was that Pascoe was required to restrict his sales to Hartt and Adair and the Weaver Company.

The negotiations with the Amalgamated Company in Wales were reported in a letter addressed to Hartt and Adair on April 26, 1932, by Mr. Piercey, Managing Director of the Pascoe Company:

"We cabled you that we had been approached by the Amalgamated, and you cabled us that you had been approached by the British importers in Montreal, with a view to taking concerted action to keep out the German coal. We were very anxious not to make a false move at this critical juncture, and therefore advised you that we were holding in abeyance this order for German coals, to which you agreed. The Amalgamated put up the proposition to us that it was in the interests of the Welsh Collieries to keep the quantity of German coal down to a minimum, and they expressed their willingness to refrain from handling German Syndicate coal which they handled last year, and that if we would restrict the importation of German coals to our various customers, they would see that we and our customers were no worse off by our doing so. In other words, they offered to supply us with any quantity of Welsh anthracite we require over and above that which we are able to purchase from the independent collieries on the open market, and as we considered this a very fair arrangement, and one which would work in the interests of our customers and ourselves, we agreed, and a Memorandum of Agreement is now being drawn up covering this position. You will recollect that when we first approached you regarding the importation of German coal, we explained our position very fully to you, and that also we were forced to take steps to substitute our source of supply, owing to the attitude then adopted by the Amalgamated of refusing us their coal for Canada and America, with the result that we introduced the German coal. It looks as though the move we made at that time has had the desired effect, inasmuch as Amalgamated now offer to co-operate and to supply their coal."

Had it not been for Pascoe's threat of further German importations, it is extremely doubtful if they could have obtained an adequate supply of Welsh. In that event Hartt and Adair would have been unable to import direct, as Mr. Fleming stated in his evidence:

"Q. If you could not get it from Pascoe your supply of Welsh coal would be shut off?—A. Unless Senator Webster decided to supply us.

"Q. You would not be able to get it from any other source you know of?—A. Not of the standard we insist upon." (Evidence, p. 680).

The export of Welsh was now more or less limited to Amalgamated and Pascoe, both co-operating to prevent others entering the exporting or importing field. Mr. Piercey's evidence on the point is to this effect:—

"Q. In other words, Pascoe and Amalgamated would control the total Welsh output?—A. Except of course any qualities which were not accepted.

"Q. You were quite prepared to let the others get the poorer qualities, because that would kill them just as effectively as if they got no coal at all?—A. Yes, we had an experience of it." (Evidence, pp. 708-9).

As a result of this arrangement it became increasingly difficult for independent importers in Canada to get direct supplies of the better grades of Welsh coal. Mr. Piercey stated in evidence that out of approximately 890,000 gross tons of Welsh coal imported into Canada in 1932 only 90,000 tons were brought in outside of the Amalgamated and Pascoe companies, and of that quantity he agreed that "the only up-to-standard Welsh available to outsiders was 30,000 tons secured from Evans and Bevan." (Evidence, p. 719). This condition is confirmed in the following extract from a letter written by an independent British coal exporter to a Toronto dealer on September 19, 1932:—

"You know how closely the Welsh Anthracite Colliery position is held, and that Amalgamated Anthracite control the majority of the best types of coal, also that those outside Amalgamated are monopolized to such people as Pascoe, leaving only a few and in the majority of cases poor types of coal available for other exporters."

In May, 1931, Andrew Baile, Limited, of Montreal, succeeded in buying a cargo of Welsh anthracite from an independent British exporting company, W. H. Essery and Company. The shipment had contained coal from the Emlyn, Ponthenry and Rigos collieries. This intrusion in the Canadian market evoked a protest from the Canadian Import Company, who wrote to the Amalgamated Company on June 23, 1931, to inquire

"whether there is a possibility of their repeating the offer and sale of further quantities of Welsh coal in this market . . . Perhaps you might indicate just what shipments we might expect from the output of Rigos, Emlyn and Ponthenry mines, and if there is any way by which they can be controlled . . ."

This is apparently the cargo about which the Import Company had written to Sir Alfred Cope on May 2, 1931, complaining that such offerings "did not help us in maintaining our prices":—

"We cabled you to-day for your information that some responsible colliery proprietors had offered in this market a cargo of Welsh anthracite consisting of large and cobbles, at 33/6 and 35/6 respectively, c.i.f. Montreal or Quebec, usual form of Welsh Charter Party, shipment first half of May. We shall probably learn in a few days who the parties are on your side who are offering this coal, but these offerings coming in to the trade here do not help us in maintaining our prices, and offer an opportunity for several to take a small cargo, either individually or collectively, in order to show that they are importers, and what can be done."

There is no record of further shipments of Welsh anthracite being made to Canada by the Essery Company, and the reason therefor is suggested in a letter which the Essery Company addressed to Andrew Baile, Limited, on January 25, 1932, in answer to a request for a price quotation. The letter reads in part as follows:—

"We think it only right to let you know of the difficulties in quoting you for Anthracite Coal and we must ask you to treat this letter in confidence. Sir Alfred Cope sent for the writer on Saturday before he started for Montreal to see the Amalgamated people and told him if we wanted certain coal for France we must not quote for Anthracite to Montreal unless we first submitted prices to him. He further said we had sold you a cargo of Anthracite last year too cheaply and that you had passed this cargo on to his people and that the other two cargoes you bought direct from the Amalgamated in Montreal.

"Naturally Amalgamated are most anxious to get all competition removed from Montreal and would like to shut Pascoe down if they could. So far as we are concerned we dare not quarrel with Amalgamated. We do a good French business and buy much coal for the home market from the Combine and it is our livelihood. Also apart from this the outside mines here such as Emlyn and Ponthenry, Cwmgrwrach, etc., are more or less tied to Pascoe for Montreal. We must ask you not to divulge what we have written above, but in view of this we regret at the moment we cannot quote you for anthracite."

It is to be noted from this correspondence first that the request for action in England comes from the Canadian side, secondly that the Amalgamated assumes to control the prices of other exporters, if it permits them to sell at all to the Canadian market, and thirdly that it has means, which it will use if need be, to keep other exporters within its control. The Baile Company was able to get certain of its 1932 requirements from another exporting company, Evans and Reid, apparently with the approval of the Amalgamated Company; but on Baile's further requirements the Amalgamated Company, under contract to sell exclusively to the British Coal Corporation, would not quote direct but insisted on his buying through the British Coal Corporation in Montreal. That would mean naturally a higher price. How much higher it might have been is suggested by a cable from the Canadian Import Company to Sir Alfred Cope, on April 4, 1932, which says:

"Think might be advisable we quote Baile prices, which suggest should be 5/- over ours."

On April 16 the Baile Company reported to Sir Alfred Cope that they were "still without a price from the Canadian Import . . . We had hoped that you would have been able to give us direct a c.i.f. price. As matters now stand we are therefore going ahead arranging our requirements elsewhere."

Baile's efforts to buy elsewhere had evidently been anticipated. Evans and Bevan, owners of Welsh mines, provided one possible source, but Senator Webster, in a cable to Sir Alfred Cope on March 4, 1932, had reminded him that he was to look into this situation

"and see that they do not break out and attempt to make shipments to Canada, even if Pascoe does not arrange to take care of their output, or for any other reason."

Pascoe did take care of a substantial part of their output, for on June 22, 1932, the Company wrote to Hartt and Adair:

"We have practically got Mr. Bevan tied up now on his Cobbles, French Nuts, Peas and Small Peas, but this still leaves him quantities of Stove Nuts, Pea Nuts and Grains size $\frac{3}{16}$ to $\frac{1}{4}$," still available and with Baile and Lane pressing for coal and willing to take any size, he finds no difficulty in selling these sizes to them."

A complete monopoly of the Evans and Bevan output for Canada had been sought by the Pascoe Company, but unsuccessfully, as recorded in a letter from Pascoe to Hartt and Adair, April 19, 1932:

"We did our utmost to tie Bevans up with the monopoly, but in view of the fact that they have just released themselves from a monopoly with Amalgamated, in which they were badly let down, they decided on no account to give the monopoly . . ."

Baile's inability to buy Welsh coal from independent sources led him back later in the year, it appears from the correspondence, to "the established importers." In October, 1932, Mr. John Baile, representing three associated companies, Andrew Baile, Limited, Mongeau and Robert and Susquehanna Collieries, Limited, asked the Weaver Company for prices on Welsh anthracite, but it appears, from a letter written by the Weaver Company to the Import Company as recently as November 22, 1932, that these two companies were still holding off. The reason is given in the following extracts from the letter:

"I understand from your conversation to-day that you now definitely agree to make no commitment, in any shape or form, or to canvass the business further, until Sir Alfred Cope's arrival, and a meeting then to be held to decide on the principle to be established in reference to any sales made to Mongeau and Robert, Andrew Baile, Limited, and Susquehanna Collieries.

"It is indicated that, had you sold any coal to Mongeau and Robert or to any of the other two companies mentioned, it would have been sold and distributed in competition with Sir Alfred Cope's coal we are handling; therefore, we feel it most inadvisable for you or ourselves to make any sales in this direction."

The correspondence between the Pascoe Company and the Weaver Company describes the same condition. In April, 1932, Radcliffe, Grant and Company, British coal exporters, asked Evans and Bevan for a quotation on 1,500 tons of coal, without stating that it was for shipment to Canada. The quotation was made, but when the Pascoe Company learned of it they explained to Mr. Bevan, as reported in a letter to Mr. Mickles dated June 23, 1932,

"that owing to our having bought such large quantities of coal from him, and his assurance to give us first opportunity of purchasing any further quantities available, that this offer was outside our Agreement. He immediately made inquiries and telephoned us later stating that our information was correct, and that he had therefore instructed his salesmen to withdraw all offers, which was done.

"This action immediately eliminated the possibility of any coal from their Colliery being sold or delivered to you or any other firm in Canada from Evans and Reid. If a similar occasion arises in the future, I hope that you will be good enough to advise us immediately so that we can take steps to correct the position."

A further commentary on the possibility of independent Canadian importers getting supplies from other British mines or exporters is found in the letter of April 19, 1932, from Pascoe to Hartt and Adair already quoted. Another extract from this letter makes it clear that Pascoe, having secured for itself the right to buy and sell Welsh anthracite, was now extending to Amalgamated its co-operation in preventing other exporters securing supplies:

"Amalgamated, we might say, are working with us in this respect and it is in their interests as well as ours to keep down the Importers to a minimum and not increase them."

The letter goes on to refer more definitely to the attempts of the independent importers to secure supplies of coal:

"During the months of March and April, as you have already been advised, two new buyers came on the market for independent coals, one Baile who is working with Evans and Reid, and the second one was a group of French dealers in Quebec (we are sure that these names are well known to you although the writer has forgotten them for the time being) who decided they would combine their resources and purchase a cargo of Welsh Anthracite direct, working through a firm called R. G. Lane and Co.,

London. When both Evans and Reid and Lane came on the market to fulfil the firm offers which they had received from the buyers on the other side, they were very surprised to find that there was no coal available and collieries, even if they had the coal, replied they were bound to Pascoe's and if they required any coal they must approach Pascoe and not the Collieries direct, whereupon Evans and Reid and Lane approached us for supplies which we flatly refused to give as we thought it was in the best interests of you and our other friends in Canada to eliminate this type of buying entirely and to force the smaller dealers in Canada to get their supplies through the regular established importers. We are sure that you will agree this was the correct attitude to adopt although it is quite certain that we could have taken care of these orders without much difficulty had we decided to do so, the acceptance of which would have been a definite profit to us.

"After the two firms referred to had carefully combed out the market they came to the conclusion they were up against a dead end, having also approached Amalgamated with the same result."

"Lane and Company," the letter adds, "found not only the Independents and Amalgamated blocked against them, but also Rigos, and they were then faced with having to scrape up on the market whatever they could lay their hands on." The Pascoe Company held the monopoly of two other collieries, but gave the owners authority to sell their old stock to the Lane Company, "knowing very well that the receivers had a disastrous cargo," and feeling assured that this experience would no doubt "cure the small dealers in Quebec of endeavouring to purchase their coals over the heads of regular and established Importers who have been in the business for ten years and know the trade."

Another situation arose in the same month, April, 1932, in which it appears that the owners of the Emlyn colliery were approached by a group of Montreal retailers who asked for six cargoes of exclusively Emlyn coal. The Pascoe Company had previously made an arrangement with the Emlyn colliery whereby Emlyn was not allowed to sell its coal to Montreal, except in full cargo lots of Emlyn coal exclusively, and then only after first offering it to Pascoe. To prevent the coal getting directly into the hands of other Montreal importers Pascoe cabled their Montreal representative suggesting that Hartt and Adair should take the appropriate action. Pascoe's cable of April 3, 1932, reads in part as follows:

"Our policy eliminate further direct importers therefore suggest before allowing Emlyn dispose cargo direct you should put position before Hartt and Adair, ascertain if prepared take this cargo outside contract view above. Stop. Prices cobbles French fifty shillings, peas thirty shillings c.i.f. Montreal. Stop. If Hartt and Adair accepts we would stipulate with Emlyn position must not arise again this season. Cable quickly."

Quick action was taken, the cargo was contracted for, and Pascoe cabled again:

"Order avoid disorganization Montreal market accept in addition to contract quantity Hartt and Adair's offer cargo about 1500 Emlyn cobbles 500 French 47/6 1000 Peas 30/- c.i.f. Montreal prompt shipment. Stop. Although comes very hard us absorb 50% willing to do so this occasion joint interests preserve market invasion Montreal retailers who Emlyn states requested six cargoes which should be blocked all costs. Stop. Understood this purchase definitely monopolises Emlyn."

Assurance was made doubly sure, for the Pascoe Company wrote Hartt and Adair on May 23, 1932

"enclosing copy of letter which we obtained from the Emlyn Colliery as part of their bargain that they would refrain from offering or shipping any further coal to Canada this year except through us, so that the mutual sacrifice we have made on this shipment, boiled down, means that this Colliery have definitely been eliminated from further offering their coal for Montreal."

The same policy of keeping Welsh coal from going directly into the hands of other Montreal dealers is seen in the arrangement which Weaver concluded with Pascoe early in 1932, whereby Weaver undertook to buy 75,000 tons of

Pascoe coal. The amount was later reduced to 60,000 tons. The proposal was agreed to by Senator Webster and also by Sir Alfred Cope, even though it meant a loss to the Amalgamated. One of the objects, if not the first object, was to keep this quantity of coal out of the hands of other competitors. As Sir Alfred Cope expressed it, "I would sooner my friends would have it." (Evidence, p. 529). Mickles stated the purpose in a cable to Pascoe on March 18:

"He [Cope] viewed with favour our purchase in preference this coal reaching this market through indefinite number of importers with result serious loss all concerned."

But in evidence Mr. Mickles added:

"It was not the primary motive. It would have that effect unquestionably and it could not help but enter our minds—if we buy it, it is not available for somebody; if we do not buy it, it will be available for somebody else." (Evidence, p. 630).

It is abundantly clear from the foregoing record that during the years 1930, 1931 and 1932 the most active steps have been taken by the Canadian Import Company and the Weaver Company, and latterly by Hartt and Adair, through their sources of supply, Amalgamated and Pascoe, to prevent other exporters and importers from direct dealing in Welsh anthracite coal. Their success in this respect has been such as to justify Sir Alfred Cope's statement in evidence:

"Q. As far as Welsh anthracite in the Montreal market is concerned, your company has really no real competition to fight?—A. Not in Welsh anthracite." (Evidence, p. 583).

And from the importer's end, Mr. Mickles' admission would appear to be justified also:

"Q. Will you go this far, that the importers here, limited as they are now in number, practically control the situation?—A. Yes, I will say they do. Of course that is a pretty broad question, and I have answered it quickly. And I just want if possible to know that we have the same viewpoint on the definition of control.

"Q. I will go another step. The control they have, does it not make it easier to fix a price than if you had a lot of importers?—A. Yes, it makes it easier."

"Q. And what is the protection that the consumer has against advantage being taken of that easy situation?—A. The protection that the prices, insofar as we are able to influence them, are fairly set, and any tendency to disregard the setting of a price based upon only a fair return to the importer over and above his cost in my opinion would be automatically regulated by competitive fuels.

"Q. The chief of which is what?—A. American anthracite, coke and oil." (Evidence, pp. 1489-90).

What the importers have done with this power which facilitates their fixing of prices, and what they have done also to prevent price regulation by other competitive fuels, is described in the following sections.

XI.—AGREEMENTS ON WHOLESALE PRICES

Most of the conditions favourable to the joint control of wholesale prices are present in the marketing of British anthracite coal in Canada. The importers have been few, the possible sources of supply have been exceedingly limited, the practice has been favoured by the exporting companies, the cost of the product at the mine and the costs of handling are not generally known. More than that, the retail trade has become accustomed to the firm, uniform price quoted by the several American line companies. Statements were made in evidence that these American prices are fixed by concerted action of the line companies in the United States. However that may be, we do know that the American line company prices f.o.b. mines are uniform within a very narrow range, and that the wholesaler in Canada sells at this price plus freight to destination and customs duty, and that he receives his return as a discount commonly from 25 to 35 cents per net ton off the f.o.b. mine price. The wholesale price is thus set by the mine owners in the United States. It is a basic price which does not vary in different markets on the continent with variations in local competitive conditions; it is the same for all markets in Canada and in the United States, and Canada purchases only a very small portion of the entire output. It is not therefore a matter of the Montreal wholesale importers of American coal deciding what the price shall be; that work has been done for them. Nor have they any responsibility for the physical handling of the coal. Rail shipments are made direct to the retail dealer's yard; the function of the wholesaler is to get the orders and to assume the credit risk.

The Canadian importers of British coal are in a different position. In the first place, the prices they pay to the British exporters are not the same; secondly, they have very much heavier costs because of their physical handling of the coal and because of the heavy degradation involved in its transportation and handling; and thirdly, they set their own wholesale prices.

It has been the practice of the Canadian importers of Welsh and Scotch anthracite to await the announcement of the American prices each spring, and in the light of them to determine their own wholesale prices. The evidence shows that on occasion they meet with the wholesalers of American coal to discuss prices, but obviously such conferences are not intended to influence wholesale prices of American coal; they have already been fixed in the United States. The purpose is to consider the wholesale prices of Scotch and Welsh and the retail prices of all three. More frequent meetings appear to have been held by the principal importers of Welsh and Scotch coal. In this inquiry we have sought to ascertain whether the fixing of common wholesale prices of Welsh and Scotch coal was the object and result of these meetings. On this point the following extracts from the evidence and from the correspondence of the companies speak for themselves.

Between the Canadian Import Company and the F. P. Weaver Company there has been no real price competition in the selling of Welsh anthracite, first because of their relationship as joint distributors of Amalgamated coal under the agreement reached in March, 1929, and, later, because of the control secured by Senator Webster over the Weaver Company early in 1932. Mr. Aird, vice-president of the Canadian Import Company, referring to the sale of Welsh coal by the two companies, stated in evidence, "There might be an odd case where there is price competition—but not as a general thing." (Evidence, p. 177). That is provided for in the main agreement, which states that "the British Coal Corporation after consultation with the Import Company and the Weaver Company shall fix the minimum sale prices."

It is the extension of the principle of price agreement, to include other importers of Welsh and of Scotch coal, as well as other fuels, which is of greater importance from the point of view of this inquiry. Most important to this group if price control were to be secured, was the co-operation of Hartt and Adair and the Scotch Anthracite Coal Corporation, the largest of the independent coal importers in Montreal. This co-operation was definitely sought, and, as appears from the evidence, was secured and has been effective during the years 1930, 1931 and 1932.

The Scotch Anthracite Coal Company and Hartt and Adair were dependent upon a much more restricted supply of British anthracite coal than the Canadian Import Company and realized that they were in a very disadvantageous position if it came to a price war with the Canadian Import Company. They were, therefore, extremely hesitant to break the wholesale price. As Mr. Forsyth, of the Scotch Anthracite Company, explained:—

"The position of the Scotch Anthracite Coal Company has always been this since I have been connected with it: We have had more or less of a limited supply of coal; we could only get a certain amount. We have not been willing—and I certainly would never counsel a price war with the other people selling anthracite coal—either the Amalgamated or the other British interests, because I have always felt that if a situation of that kind developed, the person who had the minority, and a substantial minority in supply, could not stand the gaff. That is, that we could not supply the other fellows' customers but he was always in a position to get enough coal to supply ours and if we started to cut the price we would find ourselves in a position where successive price cutting would perhaps put us in a position where we could not even market our coal, and even if we did, we would be marketing it at a loss."

The first approach to Hartt and Adair, according to the correspondence which was before us and which goes back only to 1930, was in January, 1930, when both Senator Webster and Mr. Adair were in London. It had been arranged between Senator Webster and Sir Alfred Cope that the latter should discuss with Mr. Adair two propositions, one looking to the centralization of all Welsh coal importations on one dock in Montreal; the other, price co-operation. Senator Webster returned to Canada and Sir Alfred reported to him in a cable of February 4, 1930:

"Met Adair yesterday. He refuses [referring to the dock scheme]. States price co-operation only thing possible. Writing."

Asked what price co-operation was proposed then, Sir Alfred replied:

"There were threats by myself if they did not we had better go and slaughter prices." (Evidence, p. 508).

Whether or not other pressure was brought to bear, the fact is that a measure of co-operation was effected, for on March 19, 1930, Hartt and Adair wrote to the Pascoe Company:

"Signatory has seen Mr. Aird on one or two occasions but no suggestions have been made as to what the prices for the coming season will be. It has been indicated that we are prepared to co-operate and that what was told to Sir Alfred Cope still stands."

To this Mr. Piercey of the Pascoe Company replied, on March 31, 1930:

"We are glad to note you had a chat with Mr. Aird, but that prices have not yet been arranged for the coming season. We sincerely hope you will both be able to agree prices and now you have 100% of the Welsh Coal business in your two hands you should be able to get the utmost price out of the Coal."

One feature of the arrangement which Pascoe had made with Cope and Webster is disclosed in a letter from Mr. Fleming, vice-president of Hartt and Adair, to the Pascoe Company dated March 28, 1930:

"Outside of Mongeau and Robert, Century Coal and Madden [the latter in Quebec City], you are not to ship to any one else in the Province of Quebec."

It was designed that "all coal consigned to them [Mongeau and Robert and Century] be unloaded on the Hartt and Adair dock." Thus there was to be

only the one additional importer, Hartt and Adair. One hundred per cent of the Welsh coal business, as Mr. Piercey had expressed it, was now in two hands, the British Coal Corporation and Hartt and Adair. Having this in mind, a letter from Hartt and Adair to Mr. Piercey, on May 1, 1930, has particular point:

"The attitude of the Russian importers has not, up to the moment, been one of co-operation. You may be interested to know, however, that Aird, Chapman and myself had no difficulty in establishing a price structure as far as Welsh and Scotch fields were concerned. It only remains now for the Russian interests to line up with the other fuels imported."

To this letter Mr. Piercey replied, on June 3, 1930, as follows:

"I am pleased to note that Aird, Chapman and yourself have had no difficulty in establishing the price for Welsh and Scotch Coal and I since learn that you have also been able to get Mickles into line on the Russian Coal and that he is now charging the same price for the Russian as for the Welsh on consideration that the Companies stated between you should purchase from Mickles 60,000 tons of Russian Coal per year."

The same problem of Russian coal had been troubling the Scotch Anthracite Company at this time; it was being quoted at lower prices outside of Montreal. Mr. C. L. Chapman, comptroller of the Scotch Anthracite Company in Montreal, wrote to his principals in London on May 9, 1930:

"In every case it is at least \$1.00 cheaper and as one dealer told me on Saturday afternoon last if he could buy a cheaper article and make more profit on it he did not care where the coal came from, so you can see there is no question of a feeling of trading within the Empire. I think if we put our coal at the same price as Russian Coal or say a lower price, you will have them turning to the British coal the same as they have turned to the Russian. Anyway until we are in a position when we cannot sell our coal, I think the better policy is to keep our prices as high as we possibly can within reason."

Scotch and Welsh coal was selling in Montreal then at \$16.75; it remained at \$16.75 until September when it was increased to \$17.00. In the following month, on October 3, Chapman again wrote to London:

"We are doing our utmost to maintain the prices suggested in our September price lists, but we still feel that the prices are too high. We naturally want to get as much as we possibly can, but there always comes a breaking point. We feel Anthracite Coal should not be higher than \$16.00 retail. Whether we can afford to get it down to this price we do not know. If we get up to the \$17.00 and \$17.50 mark we feel that the Anthracite trade is rather playing into the hands of substitutes such as coke, bituminous coal, etc."

Notwithstanding this declaration on October 3 that the prices were considered too high and should not be higher than \$16.00, the retail price in Montreal remained at \$17.00 until the following April: it had been at this figure throughout 1930 with the exception of four summer months when the price was \$16.75. The substitute fuels "such as coke, bituminous coal, etc." apparently failed to provide an effective competition.

Another series of communications from Chapman to the Maris Company in 1931 shows that price co-operation was still being extended. The first is dated March 27, 1931:—

"With regard to the prices that will come into operation for British coals, both wholesale and retail, at the opening of navigation have not been discussed fully up to the time of writing. Mr. Aird, and Mr. Fleming did meet the undersigned one day last week to talk over the general position as regards to next season, but nothing in the way of prices was arrived at, and we hardly think that anything can be done until the Americans have decided what they are going to do."

A cable sent on April 24, 1931, reads as follows:—

"... Independent American companies said to be cutting wholesale prices. Stop. Import have indicated desire reduction wholesale price to meet the situation we urging retention first established price as consider American tonnage small and further reduction British direct challenge American line companies."

The following is an extract from a letter of June 11, 1931:—

"You will remember some little time ago we wrote to the effect that the Canadian Import were indicating they wanted to make a reduction in the price of Welsh coal to compete against the independent American companies, who it was said were quoting below the line price. After many discussions we said we did not think this was necessary as the situation was such that it did not warrant any reduction in the price. They, therefore, dropped this point, but as an alternative they adopted a system of discounts, which again we did not agree with, but I am sorry to say owing to them bringing this into force we have to come in line. We have tried very hard to avoid this but many of our customers who pay on the more or less cash basis are demanding the same terms as our Welsh friends."

When questioned during the inquiry on the matter of price agreement, Mr. Chapman's evidence was to the following effect:—

"Q. You arrived at a gentlemen's agreement that the price list would not be departed from?—A. Well, to a certain extent, yes."

"Q. Would you call it a gentlemen's agreement?—A. Call it a gentlemen's agreement if you like, but I think arrangement."

"Q. Were not each of you relying on the other not to depart from that arrangement?—A. To a certain extent, yes. The point is that we felt that that was a reasonable price to charge for our coal." (Evidence, pp. 995, 999).

Mr. Andrew Fleming, vice-president of Hartt and Adair, gave much the same evidence in referring to the wholesale prices as fixed in the spring of 1932:—

"A. The wholesale prices were reached after the American publication of prices."

"Q. Reached by whom?—A. By the importers of British anthracite."

"Q. In a meeting which they held among themselves?—A. Yes. (Evidence, p. 1456).

Efforts made by the Import Company in 1930 to get assurance of "price co-operation" from Hartt and Adair were repeated in 1932 when Mongeau and Robert and Andrew Baile, Limited, associated companies, were asked first to cut down their purchases of independent coal and then to agree on prices. On March 16, 1932, Sir Alfred Cope cabled to Mr. Aird of the Canadian Import Company:—

"Hear confidentially Baile endeavouring increase purchase from forty to seventy thousand tons. Stop. Having regard our interview Mongeau kindly consider desirability you seeing him endeavouring induce him not exceed forty thousand tons direct shipment taking balance from you, you also endeavouring get undertaking not cut selling price otherwise you may compelled commence price war which no good anyone. Stop. Understand if Baile unable obtain Welsh peas proposes German. Stop. Cable immediately."

Mr. Aird's immediate reply was that Mongeau and Robert would co-operate in price structures. This cable reads:—

"Mongeau to discuss additional supplies further with us after interviewing Baile who just returned. Stop. States shippers have assured them full additional tonnage they may require. Stop. Promises not handle German peas provided we can offer Welsh peas grains at satisfactory prices. Cabling further Friday Saturday. Mongeau states will co-operate price structures."

The evidence given by Mr. L. G. Mickles, president of the F. P. Weaver Company, was quite definite with respect to the fixing of wholesale prices, by mutual agreement, as the following extracts from the evidence show:—

"A. Any unanimity in price, Mr. McGregor, on imported coal was arrived at through a conference of the importers of Welsh coal and Scotch coal—

"Q. That would include?—A. That would include representations from Canadian Import Company and ourselves, or British Coal Company and ourselves, Hartt and Adair and Mongeau and Robert and Scotch Anthracite Coal."

"Q. Where were those meetings held?—A. . . . as a rule they were held either in the office of the Coal Association in the McGill Building or over in Mr. Chapman's office; at times they have been held in our office; at times in the office of Canadian Import Company." (Evidence, pp. 650-1).

"Q. Have there been any meetings with Hartt and Adair to arrange prices?—A. There have been meetings invariably—from time to time over a period of years—wherein coal policies and practices and so on have been discussed, including what might be a fair price to sell our coal for.

"Q. They come to an agreement as to what the prices are to be?—A. Yes.

"Q. May I put it this way: That the Scotch Anthracite people, Hartt and Adair and your company and the Import Company have all agreed on the price—Sir Alfred Cope tells us that is so?—A. Well, I don't want to put it in a way that is unqualified without doing justice to ourselves. . . . The American anthracite industry set prices on coal and we have made a practice here—the importers of overseas coal sit down and say: Well, now, the American Anthracite prices have been set on such and such a basis, in view of conditions and in view of freight rates and asking price to us on coal from abroad and the tonnage that is represented to come over here, what price would appear to be a fair figure to set to accomplish the purposes that we have set out to do and do justice to the distribution of Welsh anthracite coal." (Evidence, p. 646).

The correspondence of the Weaver Company includes a letter written to the Canadian Import Company, dated April 1, 1931, enclosing for checking purposes a schedule of "Welsh anthracite prices which we have compiled for our own organization." These prices, the letter further states, "are the result of the several meetings between the Canadian Import Company, ourselves and other interested parties." In speaking of "other interested parties," Mr. Mickles stated in evidence, "I was undoubtedly referring to the representatives of Hartt and Adair, the Scotch Anthracite Company and Mongeau and Robert and . . . possibly Mr. Baile representing the Susquehanna Collieries, but our general impression was that the Baile Company and Mongeau and Robert were linked together through some ownership in both of those corporations by Susquehanna Collieries." (Evidence, p. 1690).

Further reference to a price agreement appears in correspondence between Mr. Piercey and Mr. Mickles in June, 1932, when the Weaver Company objected to Hartt and Adair selling to dealers in Toronto without consulting them (the Weaver Company) regarding prices. Mr. Piercey referred to "the price structure to which you have all agreed in Montreal." Mr. Mickles' letter to which this is a reply was not obtained, but his letter to Sir Alfred Cope at this time, May 28, 1932, refers to Hartt and Adair as having

"jumped into the Toronto market, and violating all of our agreements here as to price structure at Montreal, quoted a couple of the Toronto dealers a price in an endeavour to induce a movement of some rail coal." (Evidence, p. 1776).

Mr. Mickles' evidence in this matter confirms his other statement that there was price agreement:

"Q. What was the price structure to which you had all agreed and which Hartt and Adair appeared to have violated in Toronto. He says, 'you have all agreed.' Would that refer to those same representatives of the Scotch Anthracite, the Import Company, Mongeau and Robert, Weaver and British Coal?—A. Correct.

"Q. That is just about six months ago; what price structure was agreed to about June of last year, and is that price structure still in effect, and if it is not, when did it cease to be in effect?—A. That is shown in our exhibits filed with you wherein we give the American anthracite mine and delivered prices in Montreal as published by the American anthracite interests and the prices expressed to the retail trade by the British coal importers in the spring of 1932 after the American anthracite prices had been announced or published. Those are the prices referred to in that letter.

"Q. And they were agreed upon by those various importers some time in 1932?—A. They were; you ask if they have been adhered to by those companies represented at the meeting and I state that they have not been adhered to.

"Q. The intention at that meeting was that they were to be adhered to?—A. That was the intention, yes." (Evidence, pp. 1692-3).

Note should be made of Mr. Mickles' statement that the prices agreed upon "have not been adhered to." Elsewhere he stressed the same point that "these published lists represent an asking price; that published list is not adhered to." (Evidence, p. 645).

The importers have reported that these list wholesale prices represent only asking prices, and were not adhered to. The records of sales of the four prin-

principal importers for certain periods have been examined to determine to what extent sales to Montreal retail dealers have been made below list price. The record shows that there have been deviations from wholesale list prices, chiefly in sales between themselves and to their subsidiaries, but that the number of independent retail dealers in Montreal affected are very few and the total volume of their purchases at the reduced prices is comparatively small. Excluding sales to the subsidiaries of these importing companies and to two other firms doing both wholesale and retail business, the record shows that during the five-month period from February to June, 1932, out of the total sales of three of the importing companies, amounting to 172,380 tons exclusive of screenings, only 5 per cent, or 8,649 tons, was sold to Montreal retailers at any reduction below list prices. Two-thirds of this tonnage was sold to three dealers. One of them secured the reduction by agreeing to take spring delivery of a large part of his coal; one of the other two received a cut in price in one large industrial contract. The remaining third of the 8,649 tons was sold at reduced prices to eight other retailers. The sales of the fourth of the principal importers for the half year period from June to November, 1932, showed that less than four per cent of its total sales had been made to Montreal dealers at less than list prices.

The substantial fact remains that wholesale prices were agreed upon, that the intention was that they should be adhered to and that in point of fact they were adhered to. Other importers confirm this understanding. Mr. A. Lemieux, for example, representing Mongeau and Robert, made much the same statement in his evidence:

"Q. But was it not a gentlemen's agreement that you would all stick to that price?
—A. Supposed to be." (Evidence, p. 1272).

It is clear that the agreements of the Montreal importers of British coal have had their effect on wholesale prices also in Toronto. The Weaver Company's objection to the action of Hartt and Adair is not so much to their entering the Toronto market as to their selling at prices below list, in violation of the agreements made in Montreal. In writing to the Pascoe Company on May 16, 1932, Mr. Mickles protested against it as

"a most unfriendly policy for them to have pursued, and showing not the slightest tendency to work in close relationship for our mutual benefit, and for the greatest possible return on the coal."

"If you think it advisable and the opportunity presents itself, I feel that if there is anything that you care to express to them which might be the means of bringing forth from their side a better co-operative spirit, I would very much appreciate your doing so."

Hartt and Adair's explanation of their action, written to the Pascoe Company on May 13, 1932, would lead one to believe that it was rather an unusual course on their part:

"Our object in deciding upon this price structure was due in the first instance to make an effort to secure some interest in the Toronto Market and in the second instance, to indicate to our competitors that we will not always sit quietly and do nothing. If you compare the Welsh price ex the dock Toronto with those prices which have been established in Montreal, you will discover a very interesting situation, namely, that Welsh Buckwheat can be sold on the dock in Toronto at the same price as it is sold in the terminals in Montreal, and that there is only a differential of \$1.10 in the price for Cobbles on the dock in Toronto, as compared with Montreal."

The shipment of coal to Toronto by rail had been made possible by a reduction to \$1.50 in the rail rate from Montreal to Toronto. Hitherto practically the entire tonnage of Welsh coal had moved to Toronto by water, and the position of the Weaver and Milnes companies in Toronto with their Amalgamated contracts and their dock space appeared to be unassailable. In the same letter it is indicated that the transaction was not profitable and the financial co-operation of the Pascoe Company was suggested. It is interesting to observe that

when this new competition entered the field, the reaction of Mickles was in favour of meeting it. He would have preferred co-operation, for, as he reported to Pascoe, "co-operation might have led to a better price for both." The action he proposed to take was reported to Sir Alfred Cope in a letter on May 28, 1932:

"We feel that it was very unwise of Hartt and Adair, and it was done apparently with the idea that they could, before we realized their tactics, close up a substantial amount of our business there. In this they are going to fail, as we have set up a price structure to all of the dealers there, comprised of both rail and dock, which I am sure will leave them no room to put in any tonnage."

The Weaver Company thought better of it, however, and, to quote from Mr. Mickles' evidence, "never put into operation the tactics which were reflected in that paragraph." (Evidence, p. 1778).

The next paragraph of the same letter might also be quoted, as further confirmation of the "established price" in Montreal:

"They [Hartt and Adair] also have been following the practice, through the medium of a cut in our established price here, to the Scotch Anthracite Company, selling them a tonnage of Welsh coal, placing the Scotch Anthracite Organization in a position here where their Sales Organization could make sales as readily on Welsh coal as on Scotch to all consumers in the City of Montreal, and they have in fact developed a distribution along these lines to the extent of some 15,000 tons."

The wholesale price structure agreed upon in Montreal appears to apply, therefore, not to Montreal alone, but to Toronto and every other Canadian market served from Montreal. Mr. Mickles' answer to a question makes this doubly clear:

"Q. Does that 'price structure' include the prices at which the wholesalers will sell to the retail trade?—A. Yes.

"Q. Not only here, but over the whole territory served from Montreal?—A. Yes." (Evidence, p. 1777).

Statements from the representatives of the exporting companies have not been included in the above record; but it might be added that when Sir Alfred Cope and Mr. Piercey were asked whether they knew that there had been any arrangement as to prices among the four importing companies the one answered "I do not in fact know, but I should imagine that is so" (Evidence, p. 537) and the other, "I never saw a statement to that effect, but it is pretty obvious, is it not?" (Evidence, p. 743).

The retailers examined in Montreal were of the same opinion; they were unanimous in their testimony that under normal conditions it was impossible to secure competitive prices from any of the four principal importers. The following quotations from two retailers are typical.

"I don't know to what extent they are fixed, but I know you can't buy it under their price. They are all the same price, and it can't be bought at less. I think we were Weaver's biggest customer for Welsh coal in Montreal, and we could not buy it at one cent cheaper from them than a man who went to the dock and carried five tons of coal away with a horse and cart." (Evidence, p. 2198).

"Q. Did you find they were all the same?—A. All the same.

"Q. Invariably the same?—A. Yes." (Evidence, p. 1944).

"Q. . . . Was there any use going to the different importers and trying to get a different price, or would they all give you exactly the same price?—A. As far as I am concerned, they all gave me exactly the same price.

"Q. Would they make an allowance to you for large orders as against small orders?—A. None, no. . . .

"Q. Who made this structure?—A. To the best of my knowledge—we are still talking about the Coal Association meetings—Mr. Aird, Mr. Fleming, possibly Mr. Mickles, the three of them would retire behind closed doors. If we put up a squawk that we did not have enough margin to live on, they would say 'Just excuse us a moment'—and they also brought in Scotch anthracite, Mr. Chapman—and they would come back with a very united front. . . .

"Q. When the importers announced prices, did they all announce at the same time?—A. Yes, they all announced absolutely at the same time.

"Q. And the same price?—A. Yes.

"Q. And the same increase?—A. As far as I know they were always the same.

"Q. And effective from the same dates?—A. Yes, as far as I know, they were effective from the same dates.

"Q. Their cash discounts the same?—A. Yes." (Evidence, pp. 1971-3.)

A statement designed to justify the policy of fixing common wholesale prices of British coal is contained in the following extract from a brief which Mr. Mickles of the Weaver Company submitted during the inquiry:

"Much reference has been made leading up to this enquiry, to the fact that there was an apparent unanimity of prices prevailing on Welsh anthracite coal in Montreal, Ottawa and Toronto, and this fact was seized upon as apparent conclusive evidence that there was a combine among the importers.

"The public appears to have completely lost sight of the fact that the Welsh Coal importers were compelled to set a uniform price in order to conform to the policies and practice prevailing in the trade, as established by the American anthracite interests, against whom they were competing.

"The large American producing companies in unison and in council, set in the spring of each year, a price at the mines on each size of coal produced, and state the extent to which increases to that price will take place throughout the next twelve months. This practice enables the coal dealer at all points of distribution, to name a price to the householder as a spring price, and acquainting him with the extent to which he can save money by laying in an early supply and avoid the price increases to become effective as fall and winter months are approached. The difference between the cost laid down, to the dealer, and the price he names to the householder, establishes his gross margin including his net profit. This practice has been continued without interruption, in the American coal distribution for many years.

"The British Coal importers could not hope to gain the co-operation of the vast number of retail distributors in the many centers of consumption, without adhering to the practices to which the retailers were accustomed. The retail dealers have consistently maintained through expression to importers, that they much prefer the method of price setting identical with American, to any alteration whereby there was a possibility of prices changing during the season, involving him in price adjustments with his customers after sales or deliveries had definitely been made, and a consequent danger of loss should they stock their yards with quantities of coal and prices fall."

The evidence relating to agreements among the Canadian importers of Welsh and Scotch anthracite for the fixing of common wholesale prices, as outlined in this section of the present report, appears adequate to indicate the existence and nature of such agreements. It indicates also the fact that these agreements were substantially effective in maintaining the common wholesale prices which were established by these agreements. Mr. Mickles' statement just quoted also agrees that "the Welsh Coal Importers were compelled to set a uniform price . . ."

The bearing of the Combines Investigation Act upon these agreements and upon the lessening of competition otherwise effected by the members of this group is dealt with in the concluding section of this report.

XII.—LESSENING COMPETITION OF OTHER FUEL

The price agreements referred to in the last preceding section have had the effect of lessening if not preventing price competition amongst the importers themselves, protecting each against the other. Other efforts and other agreements have been designed to minimize the competitive influence of Russian and German anthracite coal and also British coke, protecting the members of the group from competition from without.

1.—RUSSIAN COAL

As far as Russian coal is concerned, there is first of all the limiting of competition arranged for by the basic agreement of March 13, 1929. About a year previously the Weaver Company had secured the monopoly of the distribution of Russian coal in Canada, the contract to run for five years with the right of renewal for another five-year period. In 1926, the year of the American strike, the Weaver Company had brought in its first cargo, containing 6,000 tons; in 1927, 30,000 tons; in 1928, 120,000 tons; and in 1929, 295,000 tons. (Evidence, p. 1240). "During that period of time," Mr. Mickles states in evidence,

"British anthracite imports into Canada were maintained on a steady increase. . . and my recollection is that in the year in which we imported the greatest tonnage. . . the British imports increased to the extent of some 17 per cent." (Evidence, p. 1240).

Thus in the spring of 1929, when the Amalgamated Company proposed to make new arrangements for the distribution of its coal in Canada, the Weaver Company was taken in as a joint distributor of Amalgamated Welsh coal, and secured half of the Amalgamated shipments to Canada. In return the Weaver Company agreed to refrain from selling Russian coal in the chief centres of Welsh distribution—Montreal, Quebec, Ottawa and Toronto. The terms of this bargain are described in a letter from Mr. Mickles to Sir Alfred Cope on March 19, 1930, in which reference is made to "the sacrifice which we made in an endeavour to support the structure which had been established here on Welsh anthracite coal":—

"Please bear in mind also that we actually purchased the right of this co-operation [the right to handle the same tonnage of Welsh as the Canadian Import Company] and paid for it a substantial sum of money, this through the medium of undertaking to refrain from marketing Russian anthracite in the centres which would give us the greatest financial return, and if, having paid for it, we do not get it, we are certainly being deprived of our rights."

In the same letter he added:—

"I feel that the interests of all concerned can best be assured by an earnest endeavour on the part of both of us to avoid to the greatest extent possible an intensive competitive situation."

Another disturbing element appeared at this time, March, 1930, when a Mr. Grover of Toronto, who has been referred to as "a somewhat mythical figure," represented himself as the President of the Foreign Anthracite Corporation and claimed that his company controlled the sale of Russian anthracite in the four cities in which the Weaver Company had agreed not to sell, and proposed to establish selling agents at these points. Senator Webster cabled to Sir Alfred Cope describing the situation and submitting the suggested remedy. His first cable was sent on March 31, 1930, in part as follows:—

"We argued [with Mickles] that it was peculiar that this company should override Weaver and Weaver's agreement with us and told Mickles we felt his position with the Russian mines and quantity they had contracted for should enable them to

keep Foreign Anthracite Corporation out of restricted areas. Mickles declares he has no influence and hinted that he thought it better for all concerned to come to some agreement or compromise."

The compromise suggested was contained in another cable of April 2, 1930:—

"After conference with Grover, Mickles states he is unable change their plan and Russian must enter four restricted areas this season. Stop. Mickles suggested arrangement might be possible restricting tonnage in Montreal City and hints might be advisable for Weaver and Canadian Import Company to consider taking up and distributing this tonnage with view to placing with least disturbance to Welsh. Please cable your views promptly."

This suggestion was acted upon: 60,000 tons of Russian was taken over by the importing companies in order to keep it out of the hands of other distributors. The arrangement was referred to in a letter from Mr. Piercey to Hartt and Adair, on June 3, 1930:—

"I am pleased to note that Aird, Chapman and yourself have had no difficulty in establishing the price for Welsh and Scotch coal and I since learn that you have also been able to get Mickles into line on the Russian coal and that he is now charging the same price for the Russian as for the Welsh on consideration that the companies stated between you should purchase from Mickles 60,000 tons of Russian coal per year."

The arrangement is thus seen to include an undertaking on the part of the Weaver Company to charge the same price for Russian as for Welsh. When this extract was read to Mr. Mickles, his evidence was as follows:—

"Q. Does that correctly set forth the situation?—A. Substantially, yes." (Evidence, p. 1241).

The change in the price of Russian coal was reported in the evidence of at least one retailer, who said:—

"At first when I bought Russian I could get it cheaper than Welsh, but after a little while it went to the same price as Welsh." (Evidence, p. 2322).

No exact information was secured regarding the cost to the importer but Mr. Mickles' statement might be cited:—

"We paid for Russian coal a higher c.i.f. price than for Welsh, but it proved less friable; our loss from degradation was very materially less." (Evidence, p. 1240).

Referring to the agreement that had been reached that Russian should be sold on the same price level as Welsh, Mr. Chapman, of the Scotch Anthracite Coal Company, gave the following evidence:—

"Q. Did your company buy any Russian coal from Mickles in 1930?—A. Yes.

"Q. Was that the condition on which it was bought, that he would fix the price of Russian coal the same as the Welsh?—A. I think that was the point." (Evidence, p. 998).

To this Mr. Forsyth, president of the Scotch Anthracite Company added:—

"We did not want to take Russian coal at all, did not want to have anything to do with it . . . at any rate I know we took a small amount and paid for it." (Evidence, pp. 1071-2).

The quantity taken by the Scotch Company was only about 3,700 tons, as Mr. Chapman reported in a letter of November 27, 1930. In this letter he added:—

"You will gather from the statement that we are making a certain amount of gross profit on the sales. This profit is not sufficient to cover the whole of our overhead, but if it is a means of maintaining the price of our Scotch coal I think we are doing the right thing."

Again it is emphasized that the object of the transaction was to maintain prices of British coal. In a letter which Mr. Bellerby wrote to the Scotch Anthracite Coal Company on October 14, 1930, he suggested that there should

not be the same objection to maintaining prices as to raising them. He had in mind, as the following extract shows, the possibility of relief from this competition being secured by an embargo on Russian coal:—

"We are sorry to note what you write in regard to the necessity of keeping the retail figure for imported anthracite on as low a basis as possible, in view of competition with substitutes such as coke, etc. We certainly had not expected that it would be advisable to reduce the price in the winter, but naturally you must be the best judges of the situation. It has passed through our minds whether, if the situation in regard to Russian coal changes by virtue of any new regulations or arrangements made by the Canadian Government, your views in regard to any price reductions of your coal may not be modified. We do not wish our remarks under this heading to be misinterpreted. If imports of Russian coal are stopped, it would obviously be the worst possible sort of mistake for any advance in the price of other imported anthracite to take place, but there could not be, in our opinion, the same objection to maintaining prices."

It should be added that when the embargo did become effective, Mr. Bellerby wrote to his company in Montreal, on March 3, 1931:—

"We feel that the action taken by the Canadian Government imposes a very definite obligation upon the importers of British anthracite. It would, in our opinion, be a calamity if any attempt were made to mulct the Canadian anthracite consumers of higher prices, and that they are entitled to look for a fair deal from the handlers of British anthracite coals. Furthermore, we feel it imposes an obligation upon us on this side to see that Canada has at its disposal a sufficient quantity of the right type of coal during the coming season. This, in our opinion, is only fair play. Moreover, we believe it is a good business policy, as were the Canadian consumers able to assert that the British anthracite interests had exploited the situation, we believe that no future Government would be able to resist the importation of competitive fuel, such as that from Soviet Russia.

"We feel sure, therefore, that you will take all these factors into careful consideration when dealing with the policy in regard to the coming season's trade."

The foregoing gives in brief outline the activities of the Montreal importers of British coal in seeking to eliminate the competition of Russian coal in the Canadian market. It is obvious that the motive was to prevent a break in the price structure which had been established by the agreements into which all four companies had entered.

2.—GERMAN COAL

Competition from German buckwheat coal did not appear as a serious consideration to the importers of Welsh until the beginning of the 1931 season. The embargo had been placed on Russian coal in February, 1931, but, as Senator Webster wrote to Sir Alfred Cope on May 1, 1931, "no sooner do we stop the Russian than we are attacked by German." His attitude toward such competition entering the Canadian market is further expressed in the same letter:

"I am not satisfied to meet the various forms of competition that seem to present themselves every season. I consider we made a mistake in allowing our friends to bring in that first cargo of Russian coal, which has meant considerable loss, watching and worrying. No sooner do we stop the Russian than we are attacked by German. . . . It seems unnecessary that after we create a market, with considerable inconvenience and effort, and which business has taken us perhaps years to acquire, we should be asked to hand over some of our business to foreigners or withstand a rate war on prices. You will naturally see that this is not very pleasant if met each year."

Other importers of British coal had expressed themselves as much concerned over the competition, and particularly the price competition, of German buckwheat coal. Mr. Fleming, of Hartt and Adair, wrote to the Pascoe Company as early as December 24, 1930:

"If German buckwheat is going to be sold at such prices, you may rest assured that it is going to have a very serious effect upon the importations of Welsh anthracite."

Mr. Bellerby wrote to Mr. Chapman of the Scotch Anthracite Company on May 21, 1931:

"I am inclined to think that unless sales are restricted and there is difficulty in disposing of the first shipment, you are likely to have this coal as a competitor in the Canadian market up to an extent of possibly from 60/80,000 tons during the coming season."

Proposals to effect restriction had already been made. On February 26, 1931, the day before the Russian embargo was announced, Senator Webster had written to Sir Alfred Cope:

"I shall be glad to hear from you in due course just what you think you can do to prevent German coal coming into this market."

Within four days a more definite proposal was under consideration when Senator Webster cabled as follows:

"Rogers Weaver advise that Domestic Fuel Corporation have received cable stating you were proposing to Germans that they send 30/40,000 tons German Buckwheats Montreal provided German price maintained equal to Welsh. Stop. Apparently Weaver associated some way with Domestic and desirous obtaining position handling German coal here. I think we should work either for exclusion German Buckwheat or arrange we handle any quantity arranged with Germans or buy up quantity necessary to exclude."

The suggestion of excluding German coal was followed up in a letter the following day:

"It seems to me that we should endeavour to make some arrangement with the German people that they would not ship buckwheat into this territory, or that we handle any German coal coming into this market, so that we could both keep down the quantity and know exactly where it was going. I should think it might suit the Germans to even sell you a quantity, which would automatically exclude them from this market. I do not see any great advantage to us to trust the local people to maintain the selling price here in competition with Welsh, if the local people are permitted to import an indefinite quantity. I would therefore be interested to hear what has taken place, and what you are able to accomplish to control or protect this market."

The first result of Sir Alfred Cope's activities appears to be the suggestion, which he had discussed with the German Syndicate, that if he would take 30,000 tons of German peas the Syndicate would undertake to send no other shipments to Canada in the 1931 season. The difficulty was, however, that this would not tie up the German coal controlled by the Pascoe Company: they had an option on another 100,000 tons not controlled by the Syndicate. This point was discussed by Senator Webster and Mr. Piercey of the Pascoe Company on April 21, 1931, when the former sent the following cable:

"Piercey called to-day. Intimates Beckingham discussing with you German Buckwheat situation. Urges our co-operation. Stop. If you can exclude German Syndicate Buckwheats by Pascoe and yourself taking limited quantity which might not exceed twenty thousand tons this year by reason lateness of season and tie up German Syndicate from shipping to Canada for number of years, it might be worthy your consideration. . . Could you divert German buckwheats elsewhere?"

Additional requests were made of the Amalgamated Company by the Import Company in a letter of May 1, 1931:

"We would also ask you to arrange that the Syndicate would exclude all other peas of poorer quality from this market, and confine future shipments exclusively to ourselves. We understand from your cables that you have in mind an exclusive option on this coal for future years, and that the matter will be taken up and discussed later on in the season with this end in view."

"... In this connection, we have asked you if it is possible to divert any of these buckwheats elsewhere, whether you could sell them in some other market, or whether we could place some along the Atlantic coast from Halifax to New York."

The outcome of these negotiations was that Sir Alfred Cope contracted with the German Syndicate for 30,000 tons of German buckwheat for the Canadian Import Company, for the reason, as he stated in evidence, that "the Syndicate were going to plaster all our customers with this stuff." (Evidence p. 515). Mr. Aird's evidence makes it clear that the matter was discussed with other Montreal importers:

"Q. At any rate, what was done on the other side appears to have been that your company had to take a large quantity of buckwheat that the Senator did not want, and just how far were you in on that agreement?—A. We were only in on the agreement with Sir Alfred Cope in agreeing to receive 30,000 tons as a maximum quantity of German buckwheats. That is as far as we went on that.

"... Q. And you say that Scotch Anthracite, Hartt and Adair, Mongeau and Robert and yourselves were in on this agreement. Had those companies met amongst themselves and decided that?—A. I do not recollect any specific meeting. There certainly was conversation and exchange of opinions.

"Q. And an understanding that none of you would import German?—A. The expression of opinion from Hartt and Adair and the others was similar to ours. They preferred handling their Welsh coal. They did not need the German and they did not want it. (Evidence, pp. 4073-4).

The situation was not entirely cleared up, however, with the acquisition of the Syndicate coal, as the supplies of the Pascoe Company had still to be taken into account. They shipped one cargo to Hartt and Adair early in May, 1931, and were supplying larger quantities to the Century Coal Company, a subsidiary of the Canada Steamship Lines. There was little danger of the Hartt and Adair supply going on the market at prices lower than Welsh; they had the reputation amongst the other importers of "respecting selling prices". But the Century Coal Company were apparently less inclined to protect the Welsh market, as Mr. Chapman of the Scotch Anthracite Company reported to his principals on June 17, 1931:

"As you know, the Century Coal Company have purchased some German coal through Mr. Piercey, approximately a combined total of 40/50,000 tons of pea and grain sizes and, I understand, from a discussion I had with Mr. Aird, Mr. Mickles and Mr. Fleming that the Century Coal Co. are inclined to put this on the market in some places at a cheaper price than the Welsh similar sizes, therefore, they are rather disturbed about this and they are suggesting that they should buy the whole of their importations provided the price is satisfactory, and by this means market it at the prices which have been arranged by them for Welsh and German coal."

"... They have naturally asked us if we would participate in any such arrangement. . . .

"It seems to me that it would be folly for us to contemplate buying this quantity of coal if somebody next week could crop up with another supply which had to be taken care of. If the source of supply is not dealt with we could have importers cropping up one after the other. It seems to me the only way to deal with the situation is to either get the whole of the importations into one or two reliable hands and not have exporters selling to Tom, Dick and Harry."

An earlier suggestion, made in March, 1931, by Sir Alfred Cope in a cable to Senator Webster was that it

"might be desirable discuss and collaborate with them [the Weaver Company] Century matter referred to above. Stop. If you secured Century then Pascoe has only one left."

The only customer left would be, of course, Hartt and Adair.

Our records show that the first suggested remedy was not acted upon: the Century Company's supply of German coal was not disposed of to the other importers in 1931, nor was all of it sold to the public in that year, for as late as February, 1933, the Toronto Manager of the Century Coal Company stated in evidence that they still had some of the coal on their Toronto dock. What happened was that this company virtually went out of the importation of anthracite coal as it is stated in evidence they had for some years planned to do.

In this way the German situation, as far as the 1931 season was concerned, was kept within control. The supplies of German coal were available to Canada only through the Amalgamated and Pascoe companies, who had made agreements with the Syndicate and the independent German collieries respectively, which agreements, as Mr. Piercey indicated in a cable of July 24, 1931, "precludes any German anthracite being offered Canada."

In anticipation of the 1932 season Senator Webster advised, in a cable of October 23, 1931, that he thought it "advisable we continue to control their shipments." He was referring to the Syndicate, whose representatives had

just approached him and "mentioned they thought large field existed here for anthracite" and also "hinted they wanted part of this market, say fifty thousand tons."

As for Pascoe's supply of independent German coal, Senator Webster urged Sir Alfred Cope in the letter of February 27, 1932, already quoted, to bring Sir Frederick Lewis, Pascoe and other interests into closer co-operation, with the view of keeping out as much German or foreign coals as possible. The substantial result of these negotiations was that the Pascoe Company undertook to ship no more German coal to Canada, and that as a quid pro quo they were permitted to buy Welsh coal from the Welsh independents without interference on the part of the Amalgamated.

In consequence of Pascoe's abandonment of German coal, the principal German interests withdrew the monopoly which Pascoe had held for Canada and gave it to the Pittston and Lackawanna Fuel Company. It is interesting to observe Mr. Piercey's view of the possibility of distributing it successfully in the face of the combined opposition of the principal importers in Montreal. His comment is contained in his letter to Hartt and Adair, April 26, 1932:

"In view of the attitude adopted by all the large Importers including the British Coal Corporation of not being desirous of handling German coal, and owing also the lack of dock accommodation we are afraid that Mr. Ortmeier [representing the German collieries] will not be very successful in moving a large tonnage to Canada, as in our opinion, the tonnage can only be moved with the co-operation of an already established importer."

It appears from the correspondence that the agreement between Amalgamated and Pascoe regarding German coal was made subsequent to and was dependent upon an understanding on the same point being reached by the Canadian importers. In Mr. Piercey's letter to the Weaver Company, of March 9, 1932, he stated that Sir Frederick Lewis, his company's chairman,

"expressed and signified his willingness to work in harmony with all parties, provided, of course, that an agreement is come to with the various interests on this subject."

The importers had their meeting on March 9, 1932, as reported in the following extract from a letter which Mr. Mickles wrote to Sir Alfred Cope on March 11:

"At a meeting day before yesterday, the British Coal, Scotch Anthracite interests, and ourselves, were fully in accord on the German policy, but we were unable to induce Mr. Fleming to express himself in any way, he maintaining that he must refrain from any expression of either policy or intention for a period of a few days. Just what is behind this I am somewhat at a loss to know, but I rather had the impression that he was waiting for an expression from his suppliers, after they had had a conference with you, in order to assure themselves that you would be in line with a policy of refraining from movement of German coal directly and indirectly, providing they likewise subscribe."

In his evidence Mr. Mickles confirmed the fact that the three importers had entered into the agreement at this stage:

"Q. Was an agreement reached that they would bring in no more?—A. Yes." (Evidence, p. 122).

Mr. Mickles' report on the subject to the Pascoe Company had been made earlier than this in the following cable:

"In position assure you Webster interests have definitely declined entertain German coal from Syndicate or independent sources, undertaking to adhere with us to this policy subject only to alteration should Madden, Hartt Adair elect they compelled move tonnage here. So feel matter rests with you and them. Awaiting Fleming's arrival discuss with him. Stop. Confidentially Bellerby has confirmed their policy also refrain German. Stop. Our impression no other interests here likely to import if we are united in our policies. Stop. Our belief Syndicate not seriously considering firm charters. Stop. Will advise you any change in situation here appreciate you doing likewise your end."

A letter from Senator Webster to Sir Alfred Cope on March 18, 1932, reported that Mr. Aird had seen Mongeau and Robert and indicated to them

"that he thought it was undesirable for any Montreal firm to handle German Peas at the present time. I understand the matter will be further discussed to-day or tomorrow. Mr. Mongeau states that he is willing to co-operate."

When examined on this point Mr. Mongeau stated:

"I do remember a question about German coal and I said I would not handle it if they gave me what I wanted on Welsh." (Evidence, p. 3657).

Mr. Aird's evidence regarding the agreement was as follows:

"Q. What companies were in that arrangement . . . ?—A. The Scotch Anthracite, the Canadian Import Company, Weaver, Hartt and Adair; and Mongeau, I think, at one stage . . ." (Evidence, p. 4070).

As for Hartt and Adair's participation in this agreement, two quotations from letters which Mr. Fleming addressed to the Pascoe Company are significant:

"Mr. Macleay has intimated that these mines produce a first class anthracite and you will observe the very low price quoted in comparison with what we are paying for Welsh. Our promise not to import any German buckwheat naturally prohibits us considering the proposal, but we feel you should be aware of the competition that is being offered, having in mind the possibility that the Welsh interests will be prepared to adjust prices." (July 25, 1932).

The price which the German Syndicate quoted was 23/10 per gross ton c.i.f. Montreal, which price, with excise and customs duty added, would be the equivalent of \$4.85 per net ton c.i.f. Montreal with sterling at \$4.10.

"In the meantime, however, we are standing by our undertaking and until such time as we mutually agree that it is desirable to alter the conclusion we are not interesting ourselves in the German products." (August 19, 1932).

In the letter to which this is a reply Mr. Piercey declared:

"We are of the opinion that provided you and the other big importers do not handle the import of German buckwheat, that the quantity shipped will be very small, and the consequent damage by undercutting prices will also be small. However, it is a proposition which has to be seriously considered, and if the German coal is going to be marketable in Montreal at very much lower prices than Welsh then it will be time for us to consider our mutual interests in this respect. The Welsh Collieries, of course, could not possibly face a reduction in price to meet this German competition, and in our opinion, the only reason the Germans are pursuing this course is to establish themselves, if possible, on the market with the idea at a later date, to reimburse themselves on future sales by putting up the prices."

One further agreement regarding German coal remains to be recorded, that between the Pascoe Company and the Weaver Company, negotiated in February but not signed until July 5, 1932, whereby the Weaver Company contracted for 75,000 tons of Welsh coal to be supplied by the Pascoe Company. Under one clause of this agreement the Pascoe Company (referred to as "the Seller") agreed to limit its sales of German peas and grains to about 18,000 tons:

"7.—*German Coal*: In consideration of the desire expressed by the British and Canadian interests to limit the importation of German coal, especially in the sizes competing with Welsh, the Seller agrees, subject to their contractual obligations already made, for about 18,000 tons of German peas and grains for shipment during the year 1932, which they will use their best efforts to minimize, to conform during the year 1932 to the same policy as is adopted and carried out by all other British interests including British Coal Corporation, Canadian Import, Hartt and Adair Coal Co., Ltd., and Buyer, in limiting importations of German coal; and the Buyer agrees during the same period not to import any German anthracite provided the other importers of Welsh coal named herein observe the same policy."

In defence of these measures by the shippers and importers of Welsh anthracite coal it is contended that "it was natural for us to prefer to get a market for Welsh coal than for German" (Evidence, p. 152) and that "Welsh coal was

trying to expand the market for buckwheat sizes and German was cutting in on sales". (Evidence, p. 1230). While this attitude may be quite reasonable from the point of view of importers dealing in Welsh coal, it carries little weight with the public as a defence for combining to exclude a competitive fuel, even though this coal had not been sold in Canada prior to the appearance of Welsh coal in the anthracite market.

Sir Alfred Cope particularly objected to German coal because of the methods used in its production and distribution:

"Supposing in order to get into this market they cut their price, they take it out of their workmen." (Evidence, p. 444).

"The Germans never open a market, they just come in when everybody else has done the work." (Evidence, p. 560).

"If the Germans were in this market today and could sell their coal in Italy or France tomorrow they would pull out of here." (Evidence, p. 421).

He also objected to German coal on purely patriotic grounds:—

"We had a strong objection to a British firm . . . coming forward and fighting British coal in a British market." (Evidence, p. 514).

The objection to German coal on the basis of their production and distribution methods is not one which can be taken as justification for the exclusion of that coal by a combination of private firms. Such a decision to admit or exclude goods on such grounds may properly be made by Parliament, representing all sections of the public, but is a wholly different matter when action of the kind is undertaken by an industry in its own business interests.

Another objection, raised by Mr. Mickles, was based on the grounds that German buckwheat coal was being mixed with Welsh and, being an inferior coal, gave Welsh coal an unfavourable reputation:—

"We have a particular brief against German coal because it has been sold here . . . if not invariably, most substantially, as Welsh coal." (Evidence, pp. 628-9).

"That coal was offered under the representation that it was Welsh, reacting naturally to the detriment of the reputation of Welsh coal." (Evidence, p. 1718).

On this point of the quality of German coal, Mr. Mickles stated further:—

"It had been demonstrated that it was unsatisfactory in the majority of forced draft systems in this country." (Evidence, pp. 1229, 1711).

To this Mr. Aird added:—

"It is a more free burning coal . . . and certainly is not as popular with the consumers." (Evidence, p. 4070).

On the other hand, we have the contrary testimony of the Toronto manager of the Century Coal Company, who was selling it extensively:—

"According to Milton Hersey's analysis you cannot tell the difference between them hardly." (Evidence, p. 3365).

In any event the quality of the coal would either recommend itself to consumers or they would reject it. In the first instance their argument fails, and in the second, there would be no necessity to exclude the coal as it would exclude itself. The mixing of Welsh with German could be prevented by court action without any necessity of excluding its importation.

Arguments to the effect that a dumping duty might be applied to German coal and that its importation necessitated the acquisition of further dock and storage facilities might be accepted as considerations influencing an individual firm against handling German coal, but not as a reason for combining to exclude it. It is contended, of course, by several of the importers that they did not participate in excluding German coal but that they merely declined to import it because of one or more of the above considerations. The evidence discloses that something more than mere non-participation was effected.

Their final argument that German coal was not actually excluded, because certain firms such as Mongeau and Robert and the Lane Coal and Shipping Company were bringing it in, merely brings out the fact that their measures were not entirely effective and that, in spite of all they had been able to do, German coal was still reaching the market.

3.—BRITISH COKE

Coke was referred to frequently throughout this inquiry as a competitive fuel which would prevent undue advantage being taken of the public by any combination of Canadian importers of British anthracite. Certainly if coke were to be imported in any quantity from England at the low rates at which it has been quoted, it would be a formidable rival and would threaten the price structures which have been established on British anthracite, as well as the prices of other fuels.

Coke has been supplied to the Montreal market from three sources, (1) Canadian, (2) American, and (3) British. Of the Canadian products, Nova Scotia coke does not come as far west as Montreal, although experiments have been made, nor does Hamilton or Algoma coke come as far east. The Montreal market is served practically entirely, so far as coke is concerned, by LaSalle coke, produced by the Montreal Coke and Manufacturing Company. Any competition, therefore, which British coal may have to face in Montreal from Canadian coke is that of LaSalle coke.

Competition from coke produced in the United States is no longer a factor in the Montreal area. Until recent years a substantial tonnage of Ford coke was brought in from Detroit by the Century Coal Company, a subsidiary, as already stated, of the Canada Steamship Lines. (Evidence, p. 1226). Mr. D. G. Munroe, managing director of the Montreal Coke and Manufacturing Company, stated in evidence that the Century Company had the greatest difficulty getting rid of the 20,000 tons which it imported from Detroit in 1928. At that time Mr. Munroe made protest to the Canada Steamship Lines and "told them we would give them no freight if they intended to import coke." (Evidence, p. 4120). The protest evidently achieved its purpose: the Century Company discontinued its efforts to sell Ford coke in Montreal. (Evidence, p. 1227). No other agency appears to have been active in the importation of American coke into the Montreal market.

As for British coke, the evidence shows that there has been little competition from this source up to the season of 1932. It might have come in during 1932 in much more substantial quantities had it not been for two agreements reached in that year, the first in January between the Canadian Import Company and the Weaver Company, the second in July between the Montreal Coke and Manufacturing Company and the four chief importers engaged in the importation of British coal, as well as two other wholesale dealers who had actually imported cargoes of British coke for delivery in Montreal.

The January agreement is summed up in a letter of January 5, 1932, from the Weaver Company to the Canadian Import Company:—

"This will confirm my understanding of the conversation I had with you to-day, wherein we agreed, on behalf of your company and its subsidiaries, and our company and its subsidiaries, that neither would make any commitment for the importation of British domestic or foundry coke into the Port of Montreal, during the coming season of navigation, without first discussing the matter fully with the other, in an effort to arrive at an agreement regulating the total amount of tonnage to be so imported, and the price structure and terms on which each would offer it to the trade.

"I believe that this understanding we have arrived at is essential and is bound to be beneficial, in view of the fact that LaSalle coke overhangs this market to such an extent,—and inasmuch as our conversation was solely between ourselves, I wish that, if the above is in accord with your understanding, you would kindly confirm by letter, and oblige."

It is obvious from this letter that the motive behind the agreement was to ensure that if either company did import British coke, its volume and resale price should be subject to their joint control. Confirmation from the Import Company was contained in a letter of January 9, to the following effect:—

"We confirm the understanding as mentioned in your letter to the effect that neither of our companies shall make arrangements for importation or sale of coke, without first having a conference to discuss policy."

In connection with the second agreement, in July, 1932, it should be made quite clear that the initiative was not taken by the importers of British coal for the purpose of protecting their price structure. It was taken by the Montreal Coke and Manufacturing Company for the protection of its product; but the effect was to lessen very substantially a competition which could have offered serious price competition to Welsh and Scotch coal as well as LaSalle coke.

About a month before the proposal was made to the four importers, Mr. Munroe learned that the Elias Rogers Company had bought a cargo of British coke. Previously only the odd few tons had been coming in. Mr. Munroe approached Mr. Alfred Rogers and urged that "a permanent and satisfactory trade connection with us would certainly be more to his advantage in the long run than an arrangement which might be temporary." (Evidence, p. 4100). The outcome of the negotiations was that the Montreal Coke and Manufacturing Company bought the cargo for \$7.50 a ton delivered at the LaSalle plant "with the understanding that an equivalent tonnage was to be sold back to the Elias Rogers Company at the price of \$7.50 per net ton as and when they saw fit to take it." (Evidence, p. 4100). At that time the LaSalle Company was selling coke to the retail dealer for \$9 a ton f.o.b. plant or Montreal Terminals, and to the consumer for \$12 delivered. Rogers had laid down his British coke at about \$6.50 a ton; in Mr. Munroe's opinion he would still make a profit out of the transaction, even at the \$7.50 price. The important part of the understanding reached, however, was that the Rogers Company undertook not to import any more British coke during the 1932 season.

The next stage was reached when Mr. Munroe, realizing that "other wholesalers were beginning to think along the same lines," (Evidence, p. 4102) approached Hartr and Adair, the Canadian Import Company, the F. P. Weaver Company and the Scotch Anthracite Coal Company. At a meeting which was held in Mr. Munroe's office early in July, 1932, these four companies were offered LaSalle coke at \$7.50 per ton, instead of the regular price of \$9.00, on condition that they would not import any British coke, would not discharge it for any other importer, and would not resell it wholesale at less than the regular \$9.00 price. The offer, serving as it would the double purpose of giving them an additional \$1.50 profit and protecting their British coal against a low-price competitor, was accepted by all four companies. Mr. C. L. Chapman's report of the conference at which this agreement was made is contained in the following letter of July 15, 1932:

"You will remember a short time ago we cabled you in connection with a cargo of coke for the Montreal Coke & Manufacturing Co. This coke was to be sold in competition with the 'Rushport' cargo which was coming out for Messrs. Elias Rogers. On Mr. Munroe's return from Vancouver the situation was rather altered as he had another suggestion to put forward, and we had various discussions in connection with this. He invited Mr. Aird, Mr. Renaud (of the Weaver Company), Mr. Fleming and myself to a conference to discuss what he had in mind if British coke or other coke was going to be imported into Canada. He put it plainly before us that they had to sell their coke, and if they had to meet the situation in any way by reducing the prices they were going to do so. They thought that this was rather a silly attitude to take and nobody got anywhere when prices were reduced to nothing to meet such competition. He then put before us his ideas of how to meet this position. He had selected the four firms mentioned above as being the four most important importers, and he was going to put them in a position so that they could meet such competition

as might occur by giving them a special oven and terminal price. The price was to be \$7.50 per net ton. To put this a little more clearly, this would put us in a position where we could sell, for argument sake, coke through Mile End yard at to-day's line price of \$9.00 per net ton if Elias Rogers chose to sell their imported coke at the same price as the LaSalle. By this means we should have a margin of \$1.50 per ton to work on. If the price was not disturbed and Elias Rogers decided to sell their coke through their yards at the same price as before it would give us another 85 cents per ton.

"In return for this concession the LaSalle coke asked the four importers mentioned above to guarantee that they would not under any circumstances use any other coke but LaSalle coke. What they were getting at was that we should not import coke either British or foreign, also that we would not discharge any coke for any importers. The latter clause we took exception to, as Elias Rogers, as you know, are very large customers of ours and we did not want to disturb them in any way. Mr. Munroe after discussing the matter thought that there would be no difficulty about that. As we explained, they could get their coke discharged by the Harbour Commissioners, the Canada Cement Co. and various other concerns, and it was hardly fair to put us in an embarrassing position with one of our customers. This was ironed out all right.

"The coke which we would take would be taken in the ordinary way in car load lots up to say, 1st of November. After that date we would say that our requirements for the remainder of the season would be so much, which might be anything from 4/6,000 tons. This quantity would be put on one side for us and we would pay for it 30 days after the date we had made the arrangements, which would be approximately the 1st of November payable on the 1st of December. In the undersigned's opinion this was a very generous offer, and we all agreed that we would fall in with this arrangement.

"We are pleased to say, however, that Mr. Munroe has had various discussions with Mr. Alfred Rogers, and he informed the undersigned yesterday that he now had Elias Rogers into this arrangement, and the 'Rushpool' cargo had been satisfactorily disposed of. (I think it was bought by the LaSalle coke people from Elias Rogers).

"To sum up the situation, five people in Montreal—Hart & Adair, Weaver Coal Co., Canadian Import Co., Elias Rogers Coal Co., and Scotch Anthracite—will all purchase their coke at a special price on the understanding that we do not import any British coke, and if our sales are anything like they were last year or even better, we shall have the opportunity of making at least an extra \$1.00 per ton profit."

The evidence of Mr. Munroe, as well as of the other importers, was substantially the same as that of Mr. Chapman's letter. The primary motive, so far as the importers were concerned, appears to have been the additional profit, but there can be no doubt that the arrangement had the effect, even if it was not designed by them to have the effect, of lessening the competition of an important alternative fuel. The possible effect upon British anthracite prices is mentioned in another letter from Mr. Chapman, written as recently as December 8, 1932, in which he refers to a conversation with the Montreal representative of R. G. Lane and Company, of London, which company last year established an agency in Montreal for the importation of independent Welsh coal and British coke. Mr. Chapman's letter reads:—

"I was asking Lanes what their program was for next year and they indicated that it would be more or less on the same lines as last year. What I most particularly wanted to find out was whether they were going to import any coke and they said they were. I pointed out that I hoped they would not in any way try and compete against LaSalle coke, as it would be disastrous if they tried to sell coke below the LaSalle people, which would naturally come back on the anthracite, as there is no doubt from what I heard, from the coke people that they intend to sell their coke whatever happens with regard to importations.

"I was thinking over the coke situation yesterday as I think it is more or less a serious one if we are going to get all sorts of people bringing coke here and competing against the LaSalle, and in the end it will have an effect on the anthracite prices. I was wondering whether the coal and coke exporters of Great Britain could not in some way overcome this situation by working with the LaSalle people. After all if no coke comes to Canada it would help the Canadian coke people, and to safeguard as far as possible no coke coming to Canada some scheme should be worked out whereby the exporters in return would get, say, a third or more of the coal used for making coke in return for not importing coke, this coal to be worked through the people in Montreal, who would be likely to import coke. Perhaps the actual buying and selling could be done through a central party like yourselves in the U.K. As you know, we are getting a special price for coke in our yard and almost all the importers with the exception of Lanes have agreed not to import any coke while this special price prevails. This price arrangement is quite satisfactory to us."

The Lane Company, as Mr. Chapman says, was practically the only importer who had not entered into the agreement. Mr. Bellerby had suggested, in a letter of August 11, that the exclusion of British coke should have been made complete by securing the co-operation of the Lane Company as "still one possible competitor who has wharf facilities." Mr. Bellerby's primary concern related to the possible effect of such competition on the price situation in Montreal:—

"We have this morning received your cable from which we note that the Stonehouse cargo is being absorbed through Mr. Munroe's plant, and that Mongeau have now joined with the other importers to refrain from importing coke nuts and that consequently Mr. Munroe considers the field is so limited that he is disinclined to make any alterations in the arrangements previously adopted."

"We are naturally concerned primarily with the maintenance of the situation in Montreal which will prevent price cutting, and from this angle we welcome the decision, but no doubt you and Mr. Munroe will be bearing in mind that although the door has been closed for coke nut competition as far as the Import Company, Weavers, Elias Rogers, Hartt & Adair, ourselves and now as regards Mongeau is concerned, there is still one possible competitor who has wharf facilities; we refer to Messrs. Lanes. Would it not have been wiser to include them? This aspect of the situation you have no doubt already considered, and probably have made the necessary arrangements. We thought, however, that it was as well to refer to this matter as it does appear to us to present an aspect of some possible danger."

It was at this time that Mr. Munroe secured the co-operation of Mongeau and Robert, which meant the co-operation of its affiliated companies, Andrew Baile, Limited, and Susquehanna Collieries, Limited. The actual importing for these companies has been done in the name of Susquehanna Collieries, Limited. They had imported a shipment of coke nuts from England and the same procedure was followed as in the Elias Rogers transaction: the cargo was bought by the Montreal Coke and Manufacturing Company at \$7.50 per ton and was resold to the importing company at the same price. The conditions imposed were the same, and Mongeau and Robert imported no further British coke during the navigation season.

The reason why the Lane Company was not approached was given by Mr. Munroe in his evidence as follows:—

"The Lane Company had no capital investment of any importance and never has had in Canada. They had no retail distribution nor wholesale distribution at that time and were in effect free lances and in quite a different position from that occupied by the other six companies with whom we were dealing in this connection. They had everything to gain and nothing to lose by importing coke. What could we possibly offer them? Having ourselves a very large fixed investment and having a large quantity of coke which must be sold, and having, moreover, spent approximately \$1,000,000 in development of the coke market in Montreal, we felt that we could deal only with concerns having substantial financial interests of their own in the same district. We took the position with the other importers that they were primarily coal merchants and importers just as we were primarily coke producers, and we felt quite justified in saying to them that we thought they should stay in their own field and not enter ours, or otherwise, in order to compete with them, we should have to enter the coal business. It is, in this event, a case of fighting fire with fire. However, with Lane we had no such arguments to use and we made no efforts to interfere with their importations of coke." (Evidence, pp. 4109-10).

A statement of sales filed by Mr. Munroe shows that during the seven-month period from August, 1932, to February, 1933, 31,277 tons of LaSalle coke were sold at the \$7.50 price to the six importers for their Montreal business. This represents one-third of the total sales of domestic coke for distribution in the Montreal district for this period. The statement does not include out of town shipments made on the order of these companies. On the other hand it should be noted that the preference to these importers was reduced from \$1.50 to \$1 per ton on February 15, 1933, when the LaSalle Company reduced its wholesale price to other dealers from \$9 to \$8.50. The special price to the importers remained at \$7.50.

The wholesale list prices of the importers showed no change when the \$7.50 price became effective on August 1, 1932; they remained at \$9.85 cash and \$10.05 credit. The retail list prices also remained the same, \$12 cash and \$12.50 credit. The actual retail selling prices of all the companies were not secured, but a statement submitted by the Canadian Import Company shows that of the retail sales made in Montreal by its subsidiaries between July and December, 1932, 10 per cent were made at \$12.50 or higher, 60 per cent at \$12 and 30 per cent at less than \$12.

It is represented by the Montreal importers, in justification of their action in agreeing not to import coke, that they did not have dock space sufficient for coke supplies, and that in any case they were not importers of coke; that they were merely agreeing to refrain from doing something which they had no intention of doing. They emphasize, quite properly, that it was not an effort on their part designed to lessen competition, and that each company was within its rights in refusing to import and in refusing its discharging facilities to other importers. The element of combination, however, and the effect of the agreement, apart from the design of those participating, must be taken into account in viewing the arrangement in the light of the Combines Investigation Act.

The arrangement itself was supported on other grounds, by Mr. Munroe as well as by Mr. Mickles and other importers, as being in the public interest since protection of the LaSalle Coke Company meant employment to its workmen as well as to miners in the Nova Scotia mines which produce a large part of the bituminous coal used by the LaSalle Company. In this connection Mr. Munroe indicated that the percentage of Nova Scotia coal used in their plant was steadily increasing. In 1928 they used 450,000 tons of American bituminous and no Canadian; in 1929, 474,000 tons of American and no Canadian; in 1930, 443,000 tons of American and 10,000 tons of Canadian; in 1931, 346,000 tons of American and 37,000 tons of Canadian; and in 1932, 246,000 tons of American and 150,000 tons of Canadian. (Evidence, p. 4087).

Mr. Munroe's position is expressed in his statement of his first proposal to Mr. Rogers:

"In talking with him I took this position—we have spent \$1,000,000 in developing the coke market in Montreal toward which you contributed little or nothing; we intend to protect this investment as far as possible. If you insist on importing coke we shall have to meet whatever prices you make which will result in your making no more money than you now make on the sale of coke and in our losing a great deal. Mr. Rogers agreed that such a course of action would be of no benefit to him and would only result in our losing money, which he did not particularly desire." (Evidence, p. 4117).

Again in referring to the cargoes which he had purchased Mr. Munroe pointed out:

"A mere matter of 20,000 tons of course does not kill us. I will say, however, that if we are not successful in stopping importations we will be faced with 150,000 tons, and that is a pretty large tonnage."

When asked why there should be such a difference in wholesale prices of coke in the several Canadian plants, with Hamilton coke quoted at \$6.50, Algoma coke at \$5.50 and LaSalle coke at \$9, all f.o.b. plant, Mr. Munroe stated that without knowing the costs of his competitors he could not make more than a general statement, but he proceeded:

"The largest item, however, to be considered is freight for water borne coal. Last summer, for example, you could get a rate for transporting coal across Lake Ontario from Charlotte to Hamilton of about 35 cents a ton, whereas from Charlotte to Montreal we paid \$1.25. A similar situation exists with regard to Lake Erie Ports where large vessels of 10,000 tons capacity can now be brought through the Welland Canal to Hamilton docks so that the rates would be of approximately the same order of magnitude. To bring coal to Montreal from Lake Ports it is necessary to use small boats. Our freight charges have been about \$1 a ton more than the rate above mentioned. This is partly because of the small size of the boats and partly because of the length of time it takes to pass through the canals between Montreal and Lake Ontario. It takes five days for a boat to make a round trip between here and Charlotte and ten days

between here and Sandusky, whereas it does not take more than two days to make a round trip between Charlotte and Hamilton. Now, a dollar per ton difference in the cost of coal which includes freight, makes a difference of \$1.50 per ton of coke, because it takes roughly 1.5 tons of coal to make a ton of coke. There are also other factors which may have an important bearing, such as the price a coke company receives for gas and for other by-products. I also wish to call to your attention that \$6.50 f.o.b. Hamilton cannot be compared with \$9 Montreal terminals, as there is nearly \$1 a ton average allowance of freight absorbed by us and not paid by the dealers on shipments to Montreal terminals, while the Hamilton price is f.o.b. ovens. So, you will readily see that the two prices are almost identical." (Evidence, pp. 4118-9).

Mr. Munroe was questioned also about the possibility of Hamilton coke coming into the Montreal market. No division of territory, he said, had been arranged with Hamilton; the reason Hamilton coke is not in the Montreal market is that there "has always been more or less a natural law on account of freight rates. Hamilton coke can come as far east as Cornwall, where it meets the competition of LaSalle coke. At this point LaSalle is sold at its lowest price." (Evidence, p. 4099). It would not be profitable, Mr. Munroe thought, to bring Hamilton coke into Montreal by water at the lake freight rate of \$1.00 per ton. "You must remember," he said,

"that aside from the cost of coke and the water transport, there is the expense of loading, unloading and degradation, so that what may at first glance seem a profitable transaction, may eventually result in loss. Moreover, the coke must be brought in during the summer and stored on the docks until it is required in winter as the dealers' yards in Montreal are, for the most part, quite small and, moreover, have to be stocked with a number of different varieties of fuels which further limits their capacity. There is also the difficulty of delivering coke stored on the docks in winter time in good condition on account of the readiness with which rain or melting snow causes it to freeze into large lumps which are unsaleable." (Evidence, p. 4121).

One further consideration mentioned by Mr. Munroe related to the temporary nature of the sale of British coke on the Canadian market.

"You see we thought that the present condition was temporary and that permanent connections are better than a temporary advantage. . . . We felt we must offer them some inducements. You must remember that I was only concerned about this one season of navigation because I felt that before the spring of 1933 the situation would clear and that we would know just what position we would be in; after that, of course, we should have to conduct ourselves accordingly." (Evidence, p. 4104).

Mr. Mickles stressed the same point, when, speaking of the exporters of British coke, he said:

"Their shipments of coke over here are bound to be influenced by their industrial requirements over there and their production depends upon their industrial activities, and that is not so of anthracite coal. . . . Their industrial activities over there would require them automatically to absorb their production of coke. . . .

"We were disinclined to attempt to create a market for a new fuel, going through all the process of introduction, and especially when in doing so it was going to displace a commodity produced right here in the city of Montreal, and with no assurance that if that labour and effort was put forth but that a change in the industrial conditions in England would either materially reduce the supply or make a withdrawal from the market altogether." (Evidence, p. 1235).

Even after taking these considerations into careful account, the weight of the evidence is surely against an artificial arrangement such as was set up by the group in Montreal, designed by one of the number for its own protection but affording protection for all the alternative fuels available in Montreal, including American as well as British anthracite. The arrangement gave opportunity to the importers to take advantage of the public, and the evidence shows that this was done: a price advantage of \$1.50 per ton was extended by the LaSalle Company, little or none of which amount was passed on to the consumers of coke in Montreal.

4.—INDO-CHINA COAL

The action taken by the importers with respect to Indo-China coal is of much less importance by reason of the slight volume and the uncertainty of the supply of this fuel. It is of some significance, however, as further illustrating the methods which have been used of preventing competitive fuels entering the Canadian market.

The possibility of coal coming into Montreal from Indo-China arose early in 1931 when Sir Alfred Cope was in Montreal. At the request of the British Coal Corporation, he authorized the company to purchase two cargoes for a purpose which is definitely stated in his letter, written on February 10, 1931:

"We hereby authorize you if necessary to negotiate and purchase a cargo, or cargoes of coal commonly referred to as Chinese Coal, for the purpose of preventing this coal from becoming a serious factor and competitor with the Welsh Anthracite Coal supplied by our Company."

The letter adds, in a postscript:

"Not to exceed two cargoes unless further agreement reached."

Questioned as to the purpose behind such a transaction, Mr. Aird stated that

"Sir Alfred Cope would rather see Indo-Chinese coal reach ourselves or some other connections of his, than see it go into new hands." (Evidence, p. 4146).

Mr. Bellerby expressed much the same opinion, in a letter of May 21, 1931, written to Mr. Chapman; the matter had evidently been discussed by the group of importers in Montreal. He said:

"I agree with you that if this coal is to be vended in the Montreal market, that it would be much better that it should be in the hands of such a firm as Messrs. Hartt and Adair, who would respect selling prices, rather than in the hands of some irresponsible firm who might give very little attention to the important aspect of prices uniform with those obtainable for British anthracite coals."

To this letter might be added the comment which Mr. Bellerby made in evidence:

"I think it would be fair to say that I had no idea at what price the Indo-China coal was coming into this market, and that if it got into the hands of someone who was not established here, who did not know the costs of working as Hartt & Adair, who have been in the trade for a long time, and who are responsible people, the Indo-China coal might be sold at an uneconomic price, and I do not think that that could do other than harm to our own trade." (Evidence, p. 4399).

The negotiations were carried on until May between the Import Company and D. L. Flack and Sons, of New York, the American representatives of the owners of the mines, whose headquarters were in Paris, France. Referring to a cargo of six or seven thousand tons which the Flack Company was offering for early fall delivery, Mr. Aird cabled Sir Alfred Cope on May 20, 1931, that he had declined it as an excessive quantity, and besides, he added, they were "only taking some coal prevent it coming on our market through other channels." Mr. Aird then suggested that Sir Alfred might approach the Paris owners to ascertain "whether likelihood others getting agency or coal coming on this market against us." His further suggestion was this:

"Our desire being protect Montreal market rather than import Chinese coal, could Merrett secure control or agency from Société Minérale et Métaux of Paris who we understand are owners. Informed half cargo sold Cunards Halifax half St. John."

Sir Alfred Cope replied that he was "endeavouring work Paris regarding Indo-China." Three days later the Canadian Import Company again cabled:

"Understand about 15,000 tons in addition Maritime cargo will be maximum Indo-China this year. Have made firm offer one cargo maximum 6,000 tons two ports discharge August, September loading and could possibly arrange control this coal without accepting further tonnage this season. Please keep us advised regarding your Paris negotiations."

The same policy of control appears to have been operative in the Maritime Provinces, or at least in Halifax. The firm of S. Cunard and Company, to whom the Canadian Import Company resigned its Nova Scotia and Prince Edward Island territory in 1932, contracted for a cargo of Indo-China coal in the spring of 1931 "in order that prices would be stabilized." Writing to Mr. C. L. Chapman of the Scotch Anthracite Company, Mr. E. L. MacDonald, the president of the company, said:

"Our object in purchasing this coal was because some other interests in Halifax were trying to secure the exclusive handling of it and intended importing several cargoes so in order to prevent this we took a cargo in order that prices would be stabilized."

Incidentally, Mr. MacDonald quoted the following analysis of the coal:

Carbon	89.44	Moisture	4.24
Volatile	3.58	Sulphur .. . . .	.69
Ash	2.73	B. T. U.'s	15,156

He added that "the cost is a few cents less than the cost of the good fuel which we have been purchasing from you."

Our records show that the coal was offered to the Weaver Company at from 50c to 75c a ton higher in price than Welsh, but, as Mr. Mickles explained, it was reputed to be harder than Welsh and consequently there would be a smaller percentage of degradation. Mr. Mickles was opposed, however, to its importation largely on the ground of the uncertainty of its supply for the Canadian market. The offer made to the Import Company was \$10.60 per gross ton c.i.f. Montreal, over a dollar higher than the cost of Welsh coal on the same basis.

The evidence regarding the Indo-China coal negotiations is far from complete. It shows that none of this coal came into the Montreal market. The cargo ordered by the Import Company did not arrive because, Mr. Aird stated in evidence, "the shippers were unable to secure tonnage early enough in the season to complete their delivery." (Evidence, p. 4145). The point in referring to the matter in this section is to show how vigilant the importers in Montreal have been in their efforts to see that outside competition is not permitted to come into this market, and that if it must come in it shall be under their control.

XIII.—CONTROL OF THE MONTREAL SITUATION

Sufficient evidence has been reported in the preceding sections to indicate that efforts have been made, with a substantial measure of success particularly by the Canadian Import Company, to prevent or lessen the competition of other importers and to secure control of the wholesale trade in Welsh anthracite coal in Canada. The records of this investigation show also that these and other arrangements are having the effect of bringing a substantial part of the retail trade in Montreal under the control of the Canadian Import Company. This extension of its influence over the retail trade in Montreal has been furthered by its dominating position with respect to the supply of Welsh anthracite, by its ability to determine the gross margins of the retailers, and by the actual purchase of controlling interests in various companies. The trend toward the weakening of the independent Montreal retailer's position has been accelerated also because of fundamental differences between the method of distribution of British anthracite and that of American; in particular the central storage and delivery of Welsh and Scotch anthracite direct from the importers' docks. This underlying factor, tending to strengthen the influence of the importers and to weaken that of the retailers, has been discussed in Section V under the sub-heading "Evolution in Retail Distribution of Anthracite."

That such control of the Montreal territory was in the mind of Senator Webster is clear from a letter which he wrote on April 26, 1930, to Mr. Alfred Rogers, of the Elias Rogers Company:

"I am convinced that the proper thing to do in the Montreal market is to join up some of the interested distributors and form a strong organization that will command the anthracite situation fairly in this territory."

This letter was part of a long series of negotiations with Mr. Rogers covering a period beginning at least three years ago. The correspondence shows that Senator Webster's object was to effect the amalgamation, on a fifty-fifty basis, of the Montreal business of the Rogers Company and the Farquhar-Robertson Company, the latter a retail subsidiary of the Canadian Import Company. The Rogers Company had built up a large wholesale and retail business in Montreal, had secured its own dock space and was planning to import its own supplies of Welsh and other anthracite direct. It had established a reputation also for a certain measure of independence in the matter of prices. It was the Rogers Company, for example, which, last July, was the first to reduce the retail price to \$14.50 after it had advanced to \$15.00.

In his evidence, Mr. Aird of the Import Company explained that in Montreal both the Rogers Company and the Farquhar-Robertson Company had been losing money, and that it was hoped to put them on a paying basis by reducing overhead and scrapping unnecessary yard equipment. Reductions in overhead do not appear to have been effected, however, in the acquisition of certain other Montreal retail businesses over which the Import Company has recently secured control. According to Mr. Aird's statement, "the idea was to get their tonnage" (Evidence, p. 4033); each firm had continued to operate as a separate unit.

Mr. Rogers stated that some years ago he had been approached by a representative of Senator Webster on the subject of amalgamation in Montreal. More aggressive efforts were made during 1931 and 1932, and in the spring of 1932 negotiations had proceeded to a point where letters patent were taken out for the new company and Rogers had actually signed up. He broke away, however, at the last moment, and the consolidation was not completed. Senator Webster cabled to Sir Alfred Cope on April 18, 1932, that Rogers had advised

he was "unwilling carry out Montreal agreement, stating some political friends advise against anything resembling monopoly." He added that he planned to discuss the matter further with Rogers. Negotiations were resumed and on July 5 Senator Webster again reported to Sir Alfred Cope, as follows:

"I have had a long session yesterday with Mr. Alfred Rogers, of Toronto, and have brought him back into the fold. He has decided now to work with us 100 per cent as far as Montreal is concerned." (Evidence, p. 1773).

The amalgamation with the Rogers Company was to be only a beginning, it appears from other evidence. Examined as to its underlying purpose, Mr. Rogers stated that this merger was "the foundation, and I was then to go out and buy up the other shows." The "other shows" comprised "all the desirable dealers in Montreal....about twenty of them.... Hartt and Adair included." (Evidence, p. 2816).

When this evidence of Mr. Rogers was read to Mr. Aird of the Import Company, he said:

"So far as I am concerned I would say that was a highly exaggerated expression or impression; as highly exaggerated as anything I have heard." (Evidence, p. 4027).

He admitted, however, that while he had been present at some of the discussions most of them had been between Senator Webster and Mr. Rogers.

Within the past two months negotiations have been proceeding with another Montreal company, the Vipond-Tolhurst Company, one of the largest of the retailers in the eastern part of the city. Our information on the subject is based solely on the evidence of Mr. Aird of the Canadian Import Company as given in one of the last hearings of the inquiry, a week, or ten days after the latest conversations. Mr. Aird stated that about a year ago or more a representative of his company approached Mr. Laurence Vipond and "made a remark to the effect that if Mr. Tolhurst had in mind linking up his business with any other company, he might let us know." (Evidence, p. 4036). Nothing came of this suggestion at this time. Before it was followed up further, the Vipond-Tolhurst Company, which had been one of the largest and best customers of the Weaver Company (Evidence, p. 1812) contracted with the Lane Company, independent exporters and importers, for its 1932 supplies. As a result they became the most important channel for the distribution of this independent coal. As distributors of this coal, which they bought at lower prices than were quoted by the Weaver and Import companies, the Vipond-Tolhurst Company was in a position to disturb the control of the Welsh situation which had been effected in Montreal. The matter was discussed between the Weaver and Import companies and Mr. Aird advised Mr. Mickles that his company "would be interested in regaining Tolhurst's tonnage and would attempt to work out a basis to enable us to do so." (Evidence, p. 4036). The next step was taken, according to the evidence, when Mr. Vipond approached the Import Company in February, 1933, recalled the previous conversation and "indicated that they would be interested in ascertaining whether some arrangement could be worked out" with the Import Company. (Evidence, p. 4036). It was suggested by the Import Company that "some kind of a combination might be worked out whereby we might purchase a majority interest in their company or go in on a 50-50 basis with them." The deal, however, did not go through. At the time this evidence was given, the negotiations had been dropped, for the reason, as Mr. Aird put it, that "Vipond-Tolhurst had what I would call a very inflated idea as to the value of their company." (Evidence, p. 4037).

In thus recording the negotiations of the Import Company with the Elias Rogers Company and the Vipond-Tolhurst Company, it should be made perfectly clear that in neither of these cases was control actually secured. Their significance in connection with the present inquiry is apparent however when

they are viewed as items in a larger program, indications of a trend in the direction of establishing "a strong organization that will command the anthracite situation fairly in this territory," as Senator Webster expressed it in the spring of 1930. Since that time other negotiations have been carried on which have proven successful. The Import Company already had control of one of the largest retail businesses in Montreal, the Farquhar-Robertson Company, Limited, which it took over many years ago. In March, 1931, they added another, the firm of Hand and Parker; in May, 1931, they secured control of the Munro Coal Company, Limited; and in July, 1932, a controlling interest in the Ouimet-Wilson Coal Company, Limited, was acquired. In the spring of 1932, when the Import Company secured control of the F. P. Weaver Coal Company, its largest wholesale competitor, it added to its list four more retail companies, subsidiaries of the Weaver Company: the Prudential Coal Company, Weaver, Limited, the F. B. Painter Coal Company, Limited, and S. Albert and Company. Thus the Import Company now has within its control eight retail coal companies in Montreal, each of them selling a substantial tonnage; and, to judge from its other unsuccessful negotiations, it is in the market for others. In the light of these facts it would appear that Mr. Rogers' statement that Senator Webster's idea was to secure control over some twenty leading Montreal distributors may not have been so grossly exaggerated as Mr. Aird suggests. Certainly many of the Montreal dealers feel that conditions are shaping up for retail as well as wholesale monopoly, and that this is the object of the importers in reducing the margins of the independent retailers to the extent they have. It must be recognized, of course, that the opinion of Montreal retailers, particularly those whose yards are being rendered less necessary if not obsolete by centralized storage of British anthracite on the docks, is likely to be biased. The importers control the margin since they fix both the retail and the wholesale price. Special price concessions are made to the subsidiaries of the importers, who are thus in a position to undersell the independents. Speaking of the reduction in the independent retailers' margin, one of the dealers commented:

"Over a period of the last four or five years it has been getting smaller until it is down to \$2.25. I have had discussions with the importers asking them if they were not following a policy which was gradually freezing us out so that they would get finally to a position where they would control the whole business themselves, both wholesale and retail." (Evidence, p. 2235).

Another retailer expressed the view that these conditions are "only going to lead to one thing, and that is a monopoly here so far as Montreal is concerned, because the temptation is there." (Evidence, p. 3767).

Still another dealer agreed that there was a serious likelihood, with the importing of Welsh coal confined to two or three companies, that gradually more of the independents would pass into the control or under the influence of the importers. When asked if he thought that ultimately the independent dealer would more or less disappear he commented, "That is exactly the way the thing seems to be heading," and his partner added, "It is taking place now." The first witness continued:

"Yes, just in the last year or so. A man cannot operate a retail coal business on the margin he has, so what can he do? He may carry on so far, but some day he may have to stop. Then what will he do? He has either got to go into liquidation or go in and throw his cards on the table, and say, 'Here, give me so much a week, and I'll work for you'."

Later the same witness commented:

"There do not seem to be many independents left that somebody has not some strings on them." (Evidence, p. 2222).

Strong views were expressed by another retail dealer:

"I think that in another three or four years if things continue as they are, there won't be any retailers left, and then the wholesalers will be both wholesalers and

retailers, and God help the public. I am going to go out of the coal business this year if I cannot work some kind of a wholesaling proposition." (Evidence, p. 1994).

Of course the wholesalers have been, for some time, both wholesalers and retailers. It is only recently, however, that the strongest of them, the Canadian Import Company, appears to have taken seriously in hand the task of controlling the retail trade in Montreal along the lines and by the methods just indicated.

The acquisition of control over the F. P. Weaver Coal Company represents not only an increase in the Import Company's list of controlled dealers in Montreal, but a further advance in the direction of complete monopoly in the wholesaling of Welsh anthracite in Canada. It promises also to effect substantial lessening of competition in other directions. Through this transaction, which was begun in February and completed in May, 1932, a controlling interest in the Weaver Company was acquired by Charles M. Barnett, of New York, a personal friend of Senator Webster's who had acted for him in other important financial transactions. The negotiations with Mr. Barnett were carried on by W. Q. Stobo, first vice-president of the Canadian Import Company, and the funds were supplied by Senator Webster. In his evidence, Mr. Stobo stated that the money was advanced to Mr. Barnett merely as a loan; that Mr. Barnett, and not Senator Webster or the Import Company, had secured control. On further questioning, Mr. Stobo stated definitely that "he [Mr. Barnett] represented us." (Evidence, p. 4586). Mr. Barnett, it appears, was not free to sell the stock to any other person, and by recalling the loan at any time the Import Company could acquire his interest in the Weaver Company. (Evidence, p. 207). The preferred shares bought by Mr. Barnett were endorsed by him in blank and were in the keeping of a personal trust company controlled by Senator Webster. Eventually, Mr. Stobo said, they would have possession of the common stock also. (Evidence, pp. 211-2).

The greatest secrecy has been maintained with respect to this change of control. Mr. Stobo was asked "Why was this transaction put through Barnett?" He answered, "We were not anxious that the Weaver office should know very much about it. . . . That would spoil the effect of it." (Evidence, p. 197). Thus the principal officers of the Weaver Company did not actually know what interests were represented by Mr. Barnett. Mr. Barnett stated to Mr. Mickles that he was prepared to make an investment "and he represented it was a personal investment". (Evidence, p. 1837). Mr. Mickles knew at the outset that Mr. Barnett had had associations with Senator Webster in other matters, but when asked whether he had been informed at the time of the negotiations "just who Mr. Barnett was and whom he represented," he answered "No, I was not. . . . It was given me sort of on the instalment plan." (Evidence, p. 632). In referring to Mr. Mickles' lack of information on this vital point, Mr. Stobo added:

"I would say that he might have a suspicion, but he has no knowledge of the facts as far as I know. I certainly have not told him." (Evidence, pp. 202-3).

Mr. Mickles' further statements throw some light on the object of the transaction. As far as his business was concerned there was great need for new working capital and the approach of Mr. Barnett was therefore most welcome.

On the part of the Import Company there were evidently many advantages in securing control of such a business. Asked what was the chief asset which had attracted Senator Webster, Mr. Mickles answered:

"Well we have a history behind us of some twenty years, a growing business, an extreme diversification of sales as far as fuel goes. . . . I think the whole set-up. . . .

"Q. Was your Russian contract an important consideration?—A. I think that all those agreements were important.

"Q. And your strength as a competitor, and having that competitor within control, would be a very important consideration?—A. It might be a tribute to our competition." (Evidence, pp. 1839-40).

Another consideration was doubtless the fact that the Weaver Company's contract with the Amalgamated Company, as one of its joint distributors, was due to expire in March, 1932. If it were not renewed and if the control of the Weaver Company were not secured otherwise, competition might become a serious matter in Welsh coal and other fuels. Mr. Mickles commented on this aspect:

"You see, there had been absolutely nothing in the nature of any understanding of what the other company might be doing except in so far as we were tied on that British coal—A. A. C. contract... It was expiring in that same spring and he [Mr. Barnett] thought that, and I recognized it, there might be an advantage in having no necessity to keep watching a competitor, in having no contract with him except when we did meet him in the competition for every piece of business, in bituminous or any other type of fuel." (Evidence, pp. 1835-6).

Mr. Stobo stated that one of the reasons why his company had become interested in the Weaver Company was that "they have a very large bituminous coal business and we certainly thought it would be of advantage to us." To this Senator Webster added: "An American anthracite coal business too." (Evidence, p. 209).

One of the chief attractions appears to have been the opportunity to secure the Weaver Company's contract for the distribution of Russian coal in Canada, this for use "if at any time Russian coal came into the market." In Mr. Stobo's evidence the following passages appear:

"Q. Who was anxious for him [Barnett] to acquire this interest?—A. I was.

"Q. In connection with the Webster interests?—A. Yes, and especially in connection with Russian coal." (Evidence, p. 196).

"Q. Was the idea of obtaining control of the Weaver Company to prevent them exercising their exclusive option for the introduction of Russian anthracite or was it to get in on the ground floor if that took place?—A. Our thought was—we already had trouble with Russian coal, to the detriment of Welsh and our thought was that if at any time Russian coal came into the market we would be in a better position to keep it out or to work against it if we had some hold on the Weaver Coal Company." (Evidence, p. 208).

The acquisition of control over the Weaver Company was not effected for the purpose of securing control over any one fuel. "In interesting Mr. Barnett," Mr. Stobo explained, "we felt it would be in our interests to have a hold over the Weaver Coal Company in the event of Russian or other outside anthracite coming in." (Evidence, p. 202).

Not only are these efforts being made in Canada to control what is referred to as "the Montreal situation," but again and again the overseas exporters have been called upon to lend their assistance to this end. Thus in one cable Senator Webster requested Sir Alfred Cope to approach the Pascoe Company "with view better controlling Montreal situation." In another he suggests a method of "making our Montreal friends keep in line with us." The "Montreal friends," according to Senator Webster's evidence, were "the trade, generally," his company's competitors. (Evidence, p. 118). The ability to influence, if not to control, the sources of supply suggests a very serious aspect of the control which is being extended over the retail as well as the wholesale distribution of Welsh coal in Canada. The acquisition of a number of grocery or drug stores by a large wholesale distributor would not have anything like the same significance, because the sources of supply of the commodities sold are all but unlimited. In the case of Welsh coal the sources of supply have been few, and it appears they are becoming fewer. The channels through which these supplies are coming to Canada, it appears from the foregoing record, are also becoming fewer and are well under control. The developments of the past two years, referred to above, when considered in the light of this control of supplies and in the light of the other efforts which have been made to lessen the competition of exporters and importers and the competition of other fuels, give ample reason for public concern with respect to the future.

XIV.—RETAIL PRICE AGREEMENT IN MONTREAL

Efforts have been made from time to time by the wholesale and retail dealers in the city of Montreal to have retail prices maintained. The list or circular retail prices are ordinarily set by a committee of wholesalers and retailers. The wholesale price, having already been set by the wholesalers, the nominal margin of the retailer is then determined. That margin may or may not be maintained; price-cutting below the list prices, particularly of the buckwheat sizes of coal, has done a great deal to impair it.

In 1930 and again in the spring of 1932 definite action was taken to prevent such price-cutting by the Montreal Coal Association, which in the earlier period included about 125 wholesale and retail dealers.

The evidence secured as to the 1930 arrangement and as to the names of the companies actually participating was not conclusive. The correspondence of the Scotch Anthracite Company made it plain that the members of the Montreal Coal Association were "trying to uphold the prices on small sizes of coal," that the members had pledged themselves not to break prices, and that a committee of three had been appointed to investigate alleged price-cutting and to deal with the offenders. The minutes of the Association contain only the most general references to the arrangement, to the "suggested retail prices," and to the appointment of three retailers "to investigate reports of and suggest remedies for malpractices carried on in the trade." No reference is made in the minutes to one instance of agreement on tenders which is referred to in the correspondence in the following paragraph:

"One of the examples of what the Association have done is the tender for the Protestant School Board. A meeting was held and the prices were decided on for the various kinds of coal required by them. When it came to Beans it was suggested that Beans would be put in at \$9.00 per ton, which is 50 cents under the ordinary retail price. In our opinion, we thought it would be fatal to put in this price, as we had reason to believe the Protestant School Board would not pay this amount. However, it was decided to make the Beans \$8.75 per net ton delivered. There were something like 27 or 28 dealers put in prices for this tender and all of them were 100% and there was no break in price. The Protestant School have taken exception against this and they have not awarded the contract to anyone, and they have indicated that in their opinion they feel someone will break, and they will be able to buy the coal cheaper than the prices indicated. Here again it is a most difficult thing to decide. If we are going to work with the trade as undoubtedly we should, and we still stick to our prices, we cannot guarantee we shall get the order. On the other hand we know positively that were we to reduce our price say 50 cents that we might get the order. We are just giving you this as an example."

Agreement on prices of buckwheat appears to have been made at a meeting or meetings of the Coal Association held in the first week in May, 1930, but the lack of adequate disciplinary measures led to frequent violations. Proposals were made, but were not carried through, that the wholesalers should discipline dealers by refusing them coal. Another suggestion was

"increase the price to dealers \$1.00 per ton, this action to be followed by a rebate of the \$1.00 to dealers who, at the end of the season, had not been found guilty of price cutting." This proposal was not acted upon. In the letter which describes it Mr. Forsyth, President of the Scotch Coal Company, goes on to say:

"Having examined into this proposal in point of view of the law it seemed to me quite clear, and in this view my partners here concur, that such steps would probably involve both members of the Association and ourselves in prosecutions for combining in restraint of trade under the provisions of the Criminal Code. The possibilities of such proceedings were extremely difficult to foresee and after a conference with representatives of Messrs. Hartt and Adair and with Mr. Chapman I advised them to take the

stand that such an arrangement was illegal and that from our point of view we would not be party to it. In the result the Association accepted this view and they, apparently, have also come to the conclusion that a certain amount of price cutting is inevitable with the consequences that all parties concerned are taking business as they get it, endeavouring to maintain prices as best they can and no break has been necessary."

Another suggestion made in 1930 was that a "referee" should be appointed, with responsibilities similar to those of the committee of three. Nothing was done on this suggestion in 1930, but in 1932 it was renewed and a more formal attempt was made to maintain uniform retail prices on buckwheat sizes. The object and method of the 1932 arrangement were described in a letter from Mr. Chapman of the Scotch Anthracite to Mr. Bellerby on May 20, 1932:

"You will remember from time to time that we have had a good deal of trouble with regard to the cutting of prices on small sizes of coal by various dealers. During the period when we were fixing prices this year a good deal of discussion took place amongst the retail trade on this matter, and it was suggested that a committee should be formed to look into the possibility of finding some means of overcoming this.

"Mr. Aird, Mr. Fleming, Mr. Mongeau, Mr. Renaud and myself were appointed to a committee and we discussed this matter very fully and a meeting was called of the whole trade, and Mr. Forsyth was asked to be present to hear the discussions and to pass a legal opinion on the suggested remedy. The form that the remedy was to take was that a referee should be appointed. This referee would look into cases where it was reported that cuts in prices had taken place. In other words, that if we went after an order at the full price and we found that some other retail firm had put in a lower price, we were to immediately report this to the referee, who would use his judgment in dealing with the case, the penalty being, if a dealer had definitely taken an order at a lower price, or had delivered the coal at a lower price, that the referee should have power to inform the wholesaler that such a dealer had broken the agreement and that his supply of buckwheat sizes should be cut off for the year and that he would not be able to obtain a supply of coal for any future orders, or if the coal for that particular order had not been put in, the supply of coal for the order would be cut off. In other words, if a dealer broke the prices and it was found out to be true after investigation by the referee he would not be able to obtain any further supplies of buckwheat sizes. We feel that by doing this that the dealers' position will be strengthened as they will be able to maintain the margin and will enable them to make a more reasonable profit and, therefore, strengthen their credit position.

"As you know, when dealers are taking these slender margins by cutting the prices that they are not only jeopardizing themselves, spoiling the trade generally but also jeopardizing their credit position with the wholesalers, as there can only be one end to such a position, that they will not be able to pay their accounts for the reason that they are not obtaining sufficient margin. The credit situation in Montreal has to be studied very carefully, and we only want to really sell to reliable and strong dealers, and if this wanton cutting of prices goes on there can only be one end to the whole matter, which will be disaster.

"... Mr. Forsyth's name was suggested and everybody agreed that he would be a very satisfactory person to act in this capacity.

"... We hope that if this arrangement is successful in small sizes that we will extend it to the other domestic sizes."

As it turned out, the arrangement operated for a period of two months from May 18 to July 19, 1932. While it is stated that the prices were determined by the retail trade it should be noted that the minutes of the general meeting of the Montreal Coal Association held on May 18, when the Referee arrangement appears to have been agreed upon, contains no reference to it, and that in the minutes for July 19, when the agreement came to an end, the only reference is the following:

"Mr. L. A. Forsyth addressed the meeting at length on the subject of margins and selling policies and stressed the matter of granting credits as of very great importance."

After this plan had been adopted the retail dealers signed agreements submitted to them by the importing companies to the following effect:—

"As a basis for credit extended or to be extended to the undersigned by . . . in connection with the purchase of coal, the undersigned represents and agrees to and with . . . that any British buckwheat coals purchased by the undersigned from . . . will be

resold at prices not less than those established for such coals by the retail trade which now are as noted hereunder.

"Failure on the part of the undersigned to implement this agreement will be sufficient cause . . . to refuse to supply such coals to the undersigned."

When the importers were called upon to produce their copies of these agreements, only the Weaver Company was able to comply with the request, others stated they had been destroyed, and still others that they had not used them. Several dealers who were asked to produce them stated that they had been requested not to retain copies.

The records show that a number of complaints were made to the Referee, and that in certain instances the wholesale houses were informed by the Referee that the dealer in question "must be taken to be in default," or that the dealer "has violated the Agreement and the Importer in question has notified me that this dealer will not be given further supplies by him." The acknowledgments made to the Referee stated in effect that the importers would "be pleased to be governed accordingly." On July 7, Mr. Chapman wrote to the Maris Company in London:—

"We have had various complaints of cutting, and several people have been cut off their supply for this reason, but apparently there seems to be some leakage with one of the Importers . . . All the Importers and Mr. Forsyth have had several meetings and discussed this matter, and we are now awaiting a further meeting, when we think the matter will come to a head, either we shall go on with the arrangement, or it will fall through . . .

"There was one suggestion put forward, and that was that each Importer should put up an amount, say, of \$10,000 which would be held in trust, and should any one of us fall down on our agreement some portion of this money or the whole lot would be forfeited and the amount paid to some charity. I am inclined to agree that this would be a very good solution to keep Importers in line, as they would be very dubious about breaking any agreement if they stood a chance of, say, forfeiting \$10,000."

Nothing came of this suggestion of penalties. The matter came to a head on July 19, when it was announced at a meeting that Mongeau and Robert had withdrawn from the agreement on the ground that it was not being lived up to, and therefore, as Mr. Chapman reported in a letter of July 26, "the arrangement we had with regard to controlling prices . . . was at an end." The letter proceeded:—

"We are extremely sorry that this arrangement has broken down, as we had hopes that it would be the means of strengthening the position of the retailer by helping them to get better prices and, therefore, having a bigger margin to enable them to run their business on a proper financial basis. We hope there will be no wanton cutting of prices owing to this arrangement breaking down, and that the trade generally will do their utmost to keep their heads, and not run away with the idea that they want to get a lot of tonnage at very much reduced prices.

"Mr. Forsyth indicated in his speech that it was the duty of every retailer to try and maintain the prices to the very limit, and, speaking for one of the importers, it was not their wish to do business with any firm that might be cutting prices, as he felt it would have the effect of endangering their credit position."

Mr. Forsyth's attitude in this respect was confirmed by Mr. Bellerby in his reply of August 3:—

"I entirely agree with his remark that the Importers should refrain from doing business with any firm who adopt a price-cutting policy . . ."

No evidence has been secured to show that, since this time, the importers, or any of them, carried out this policy of withholding supplies from dealers who have cut prices. Indeed the evidence matter goes to show that during the balance of the year even the importers and their subsidiaries failed to maintain the list retail prices.

XV.—CONDITIONS IN QUEBEC CITY

1. *Control of Docks.*—Quebec has been described as a “closed port”, with regard to importation of Welsh anthracite coal by competitors of the Canadian Import Company. In 1932 all the harbour space which is available for coal and is under the jurisdiction of the Harbour Commission at Quebec was controlled or operated by the Canadian Import Company, the greater part on fifteen-year leases with options of ten-year renewals. Completion of this monopoly of dock space in the harbour was attained in 1932. Until 1931 Madden and Sons, Limited, operated a wholesale coal business in competition with the Import Company and imported Welsh coal from the T. T. Pascoe Company. Control of the Madden dock was secured by the Canadian Import Company in October, 1931, under a ten-year agreement for its management of the Madden Company. In 1932 a small last remaining coal space owned by the Harbour Commission was leased by Gingras & Fils, coal dealers, who immediately transferred this lease to the Canadian Import Company. The limited facilities of two barge docks on the St. Charles River, owned by Lachance Freres and by Georges Couillard, coal dealers, are available for the importation of United States anthracite but cannot be used by deep-water vessels. Consequently while the Canadian Import Company hold a complete monopoly of coal dock facilities of the Louise and Inner Basins, this control is not complete with regard to American anthracite barge shipments, due to the existence of these several small docks outside the Harbour Commission area.

The Canadian Import Company's estimate of the value of its control of Welsh coal imports at Quebec may be illustrated by its efforts in 1932 to prevent the entry of a competitive importer. A Quebec retail firm, A. Robitaille, Limited, imported a cargo of Welsh anthracite in April, 1932, from Lane Coal and Shipping Company, controlled by R. G. Lane, Limited, of London, England. The cargo was unloaded into cars for the Robitaille firm at the Canadian Import docks after efforts by the Import Company to buy the shipment from Robitaille had proved unsuccessful. The Lane Company then undertook to enter the Quebec City territory as an importer, incorporating an importing enterprise under the name of Lane and Robitaille, Limited. Offers of capital and other inducements were made by the Canadian Import Company to influence Robitaille against entering the new importing company, but without success. The Import Company's control of all the coal docks leased by the Quebec Harbour Commission forced the Lane-Robitaille company to rent from the Canadian National Railways a wharf property about a mile further from the centre of the city, with a frontage of approximately 400 feet. Senator Webster, as president of the Canadian Import Company, followed this effort of preventing competition to the length of writing the following letter of March 21, 1932, to S. J. Hungerford, then vice-president of Canadian National Railways:—

“I understand that some parties in Quebec are desirous of renting a portion of the old Allan Line property from your railway, for the purpose of establishing a coal yard, oil tanks, or something of this nature.

“I would like if you would give me an opportunity of discussing this matter with you before taking any action. As you know, we are working in close conjunction with you both at Quebec and Montreal, and giving your railway a very large tonnage. I do not see that there is any additional business that can be secured at Quebec which we have not obtained, and if there is anything more that can be secured, we would be glad to see that your railway gets the preference.

“However, I would like to talk this matter over with you if you would so permit.”

The Allan wharf was leased for the Lane-Robitaille company, whose first cargo was unloaded in November, 1932. The weight of this competitive factor on the Quebec City market should become more evident and more pronounced during the 1933-34 season.

2. *Quebec Coal Dealers Association.*—In addition to the Canadian Import Company, Limited, Madden and Son, Limited, and Quebec Coal Company, Limited, the two latter firms being operated by the Import Company, from twenty to twenty-five retail coal dealers are in business in the city, serving a population of 140,000. An association described as the Quebec Coal Dealers Association with most of the retail coal dealers as members, was found to be in operation in Quebec City. A demand for production of this Association's minute book was met by the submission of a false minute book specially prepared for presentation if the minutes were called for during the present inquiry. As the preparation and presentation of this document appeared to be a fabrication of evidence within the meaning of section 177 of the Criminal Code the names of the parties responsible and a full report of the proceedings were sent to the Attorney General of the province of Quebec. A suggestion that in the event of the non-production of the original minute book, public hearings in Quebec City might be recommended, resulted in its recovery through an officer of the Canadian Import Company, who stated that he had removed it from the office of the Secretary of the Association, without the latter's knowledge, some months prior to the hearings in Quebec.

The minutes of the Quebec Association and other evidence obtained disclosed that retail prices of Welsh and American coals were fixed at meetings of the dealers' organization and that efforts were made to secure the maintenance of these prices and to eliminate the business of other than "legitimate dealers." Opening prices for the 1932-33 season were fixed at a meeting of the Association held April 18, 1932. The minutes of this meeting include the following:—

"By unanimous agreement prices for the current year were fixed, beginning May 1, 1932, as follows:—

"American anthracite in all sizes, also Welsh, \$15 per ton.

"Religious institutions, also orders over 100 tons—\$14.50 per ton.

"Coal in bags, 1st floor 50 cents per ton; 2nd floor \$1.00 per ton; 3rd floor \$1.50 per ton.

"For coal delivered by the half ton, 25 cents additional for cartage.

(These prices are for May, June and July).

"Welsh Buckwheat:

For orders below 50 tons—\$10.00 per ton.

For orders of 50 tons and over, \$9.50 per ton.

For religious institutions below 700 tons, \$9.25.

"Price for Buckwheat guaranteed up to May, 1933.

"All the merchants should indicate, in orders which they take, the following note:

"Coal taken on the wharf by consumers 50 cts. per ton deduction. Any increase in the cost of coal owing to changes in the present rates or changes in taxes are to be paid by the purchaser. Price for merchants outside association 75 cents less per ton."

Messrs. Stobo and Craig, representing Canadian Import Company, appear from the minutes to have been very active in the shaping of the Association's policies. Minutes of an Association meeting on April 11, 1932, record the following attempt to further the Canadian Import Company's dominance of the city's coal supply:

"The members present were advised of the following project already formed with a view of protecting the members of the Association against persons interested in the sale of coal and who greatly prejudice this class of business:

"It is understood that the members of the Quebec Coal Dealers' Association agree to purchase all their coal from the Canadian Import Company or from Madden and Son, Limited, and in return the Canadian Import, Limited, and Madden and Son,

Limited, agree not to sell coal at wholesale prices to be resold to dealers other than those who are members of the Association. It is understood also that the members of the Association agree to sell the coal at the price fixed by the Association."

This proposal followed a similar unsuccessful plan developed in 1931 for the penalizing by the wholesalers of those retailers found to be selling below the prices fixed by the Association. The 1932 plan quoted above coincided with the shipment of the first competitive cargo from Wales to Quebec City, that purchased by Robitaille from the Lane Company. The plan was not carried out. The Association's attempts to fix and maintain retail coal prices appear to have been largely unsuccessful and were checked further by the entry of the small competitive supply of Welsh anthracite introduced by the Lane-Robitaille company for the 1932-33 winter season.

The very substantial measure of control of coal dock facilities in the city which the Canadian Import Company holds constitutes an outstanding local reason for this company's measure of control of the British anthracite coal trade in Quebec City. Leases of the Harbour Commission's coal docks for shorter periods would lessen the danger of a private monopoly of the city's coal importing facilities. Conclusions on the operations of the Canadian Import Company in their relation to the Combines Investigation Act are contained in the last section of this report. This Company appears to have been one of the most influential, if not the most influential, member of the Quebec Coal Dealers Association. The particular efforts made through this Association to fix and maintain common retail prices appear to have been generally ineffective and, as already stated, the entry of wholesale competition through the establishment of the Lane-Robitaille company has diminished further the possibility of a unified control of the city's coal supply.

XVI.—WELSH IMPORTING ARRANGEMENTS IN TORONTO

Reference is made in Sections V and VI of this report to the competitive situation in Toronto and to the costs, margins and prices of the wholesale and retail dealers. The following further information is presented with respect to certain arrangements regarding control of the situation as far as the coal supplied by Amalgamated Anthracite Collieries is concerned.

The Milnes Coal Company pioneered the importation of Welsh anthracite in Toronto, importing first through T. T. Pascoe Company, and later through the Rose Richards Company, Welsh exporters.

When the Welsh collieries exporting to Canada through the Rose Richards Company entered the Amalgamated Anthracite Collieries, Limited, and this company entered into the agreement in 1929 with British Coal Corporation, Canadian Import Company, and F. P. Weaver Coal Company for exclusive distribution in the Montreal and Quebec areas, as already referred to, Toronto and the area served therefrom was excluded from that arrangement. But in that agreement British Coal Corporation was given an over-riding commission of twelve cents per ton on all Amalgamated anthracite marketed in Canada outside of the area covered by the exclusive distributing rights.

In 1930 Amalgamated Anthracite Collieries entered into an agreement with Standard Fuel Company, Limited, and the Milnes Company (the latter being a subsidiary of the former) whereby these companies were given the exclusive distributing rights for Amalgamated coal in "Toronto and the district usually served therefrom" for a period of five years. This agreement was renewed in 1932 for a further period of five years. The Milnes Coal Company, which is an active importer of Amalgamated anthracite under this agreement, thus holds the exclusive distributing rights for this coal until 1940.

The bulk of the Milnes Company's business was retail in character. Due to the natural objection of other Toronto retailers to dependence for supplies of Welsh coal upon another retailer, coupled with the Weaver Company's desire to wholesale Welsh anthracite from its Toronto branch, an arrangement furthered by Sir Alfred Cope was arrived at in April, 1929, between the Milnes Coal Company and the Weaver Company whereby the latter acquired the wholesale distributing rights for Amalgamated coal in the Toronto district; the former for a three-year period agreeing to confine its efforts to the retail trade. While this arrangement was made prior to the Milnes-Amalgamated agreement referred to in the preceding paragraph, Milnes was the exclusive distributor of Amalgamated coal at the time. In payment for this wholesaling concession, Weaver agreed to pay the Milnes Coal Company what amounted to a commission of twenty cents per net ton on all coal sold by the Weaver Company in the Toronto district. The actual arrangement was that Weaver should pay Milnes "a price based on the cost plus a commission of twenty cents per net ton," the coal being imported by and invoiced to Milnes.

This agreement was renewed and somewhat modified about May 1, 1932, for a further period of three years. By this new agreement the Weaver company definitely undertook not to engage in the retail distribution of Welsh coal in the city of Toronto and its suburbs, and the Milnes Company agreed not to engage in the wholesale trade in the same territory except in special cases to be agreed upon. At or about the same time a new arrangement was made between Milnes and Amalgamated Anthracite Collieries whereby Weaver was permitted to import direct to the Toronto area; and in return for this modification Amalgamated Anthracite Collieries agreed to pay Milnes an over-riding commission of 1/6d. per gross ton on all Amalgamated coal so shipped direct to

Weaver for the Toronto distribution. Weaver in turn agreed to pay Amalgamated Anthracite Collieries ten pence per gross ton more than the price charged to Milnes. This ten pence is thus collected by Amalgamated Anthracite Collieries and is part of the 1/6 paid to Milnes.

It might be noted here that when Milnes was doing the importing and invoicing, and was assuming the credit risk on the coal supplied to Weaver during the earlier agreement, they were receiving a commission of twenty cents per net ton. Under the new arrangement, at present in force, where they are not importing, not invoicing, and not assuming any credit risk they are receiving a commission of 1/6 per gross ton for such coal imported by Weaver for Toronto and suburbs, and other commissions of six pence and one shilling per ton for Weaver coal sold elsewhere in Ontario west of Kingston.

For the season of 1932, which includes payments under the first agreement up to approximately May 1st, 1932, and the higher commissions of the second agreement since that date, the Milnes Company had received up to December 6, 1932, approximately \$35,000 (on 118,965 gross tons) representing about 7 per cent on its capital. It should also be noted that this 1/6 over-riding commission is paid on every ton imported by Weaver for the Toronto market, and not on the tonnage sold, thus applying alike to screenings and to sizes for domestic use.

During this same season of 1932 the Milnes Company imported for its own distribution about 47,000 gross tons. The total importation of Amalgamated coal into the district was therefore about 166,000 gross tons upon which the over-riding commission of twelve cents per ton applied, amounting to about \$20,000, paid by Amalgamated Anthracite Collieries to British Coal Corporation.

The origin of the commission paid by the Weaver Coal Company to the Milnes Coal Company is set out clearly in a letter received by the Milnes Coal Company from T. P. Rose-Richards, Limited, dated May 21, 1930. It is evidence from this letter that the threat of Russian competition in Toronto was the primary reason for Sir Alfred Cope's anxiety to allow the Weaver Company to handle the wholesale distribution of his coal in Toronto. Further, it is equally evident that this commission came out of the pocket of the A. A. C. and the whole arrangement is one which was concurred in by the Rose-Richards Company and regarded by them as being what is looked upon in the Old Country as an ordinary "fittage" transaction. As to the renewal of this arrangement, it may be true that at the time of the renewal the threat of Russian competition no longer applied. But there can be no doubt that the arrangement would not have been renewed had there not been equally good reasons as there were at the time of the original grant. Whatever the reasons which led to these arrangements, it is apparent that known over-riding commissions amounting to about \$55,000 were paid in 1932 on the 166,000 gross tons of Amalgamated coal which was sold in Ontario west of Kingston. The competitive situation so far as Welsh coal in Toronto is concerned was undoubtedly changed in 1932 through the rail shipment of Welsh anthracite which Hartt and Adair and other Montreal importers made to certain customers in Toronto. These shipments were made possible by the reduction to \$1.50 per ton in the rail freight rate from Montreal to Toronto during the navigation season. While it is not established that of themselves these arrangements regarding over-riding commissions, for which apparently little real service to the public has been rendered, result from a combine within the meaning of the Combines Investigation Act, they do indicate detriment to the public resulting from the method used in the importation and distribution of Welsh anthracite in the Toronto market.

XVII.—NOTES ON THE LAW RELATING TO TRADE COMBINATION

The principles of the common law against combinations in restraint of trade were first reinforced in Canada by Dominion legislation in 1889. The Act passed in 1889 is now sections 496 to 498 of the Criminal Code. Section 498 provides that

"Everyone is guilty of an indictable offence.... who conspires, combines, agrees or arranges with any other person, or with any railway, steamship, steamboat or transportation company—

- (a) to unduly limit the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article or commodity which may be a subject of trade or commerce; or,
- (b) to restrain or injure trade or commerce in relation to any such article or commodity; or,
- (c) to unduly prevent, limit, or lessen the manufacture or production of any such article or commodity, or to unreasonably enhance the price thereof; or,
- (d) to unduly prevent or lessen competition in the production, manufacture, purchase, barter, sale, transportation or supply of any such article or commodity or in the price of insurance upon person or property.

"2. Nothing in this section shall be construed to apply to combinations of workmen or employees for their own reasonable protection as such workmen or employees. 63-64 Vict., c. 46, s. 3."

In 1910 the first Combines Investigation Act was passed by the Dominion Parliament. Legislation along similar lines was enacted in 1919 and 1923. The Combines Investigation Act, now chapter 26 of the Revised Statutes of Canada, 1927, makes provision for the investigation of combines which are prohibited by the following sections of the Act:

"32. Everyone is guilty of an indictable offence.... who is a party or privy to or knowingly assists in the formation or operation of a combine within the meaning of this Act."

"2. In this Act, unless the context otherwise requires,

(1) combines which have operated or are likely to operate to the detriment or against the interest of the public, whether consumers, producers or others, and which

- (a) are mergers, trusts or monopolies, so called; or
- (b) result from the purchase, lease, or other acquisition by any person of any control over or interest in the whole or part of the business of any other person; or
- (c) result from any actual or tacit contract, agreement, arrangement, or combination which has or is designed to have the effect of
 - (i) limiting facilities for transporting, producing, manufacturing, supplying, storing or dealing, or
 - (ii) preventing, limiting or lessening manufacture or production, or
 - (iii) fixing a common price or a resale price, or a common rental, or a common cost of storage or transportation, or
 - (iv) enhancing the price, rental or cost of article, rental, storage or transportation, or
 - (v) preventing or lessening competition in, or substantially controlling within any particular area or district or generally, production, manufacture, purchase, barter, sale, storage, transportation, insurance or supply, or
 - (vi) otherwise restraining or injuring trade or commerce, are described by the word 'combine'."

Substantially the offences defined in section 498 of the Criminal Code are included in the sections quoted above from the Combines Investigation Act, in a degree that led to a suggestion in a judgment in 1932 that "the constitutionality of the Combines Investigation Act having now been established by the Judicial Committee of the Privy Council, perhaps Parliament will consider the propriety, in the interests of simplifying the law, of the repeal of s. 498 of the Criminal Code, and the clarification of the somewhat difficult language of s. 2 of the Combines Act." (1)

(1) *The King v. Alexander Ltd., et al*, Raney J., (1932) 1 D.L.R. 109, at 127-128.

When we turn to the courts for an interpretation of this legislation we find that again and again they have emphasized that "interference with the free competition to which the public is entitled is a serious matter"; and that it is an unlawful matter if public injury results or is likely to result from the collusion of competitors. The advantage which may accrue to the members of the combination is not the proper test, as Mr. Justice Mignault pointed out in the *Stinson-Reeb* case in 1929:

"What is the true test was laid down by this court in *Weidman v. Shragge* as above stated. Injury to the public by the hindering or suppressing of free competition, notwithstanding any advantage which may accrue to the business interests of the members of the combine, is what brings an agreement or a combination under the ban of section 498 Cr. C." (1)

In the extract from the *Weidman v. Shragge* case to which Mr. Justice Mignault referred, Mr. Justice Anglin (as he then was) had expressed the following opinion in discussing the meaning of the expression "unduly" as it is used in the phrase "to unduly prevent or lessen competition":

"The prime question certainly must be, does it [the agreement alleged to be obnoxious to Section 498], however advantageous or even necessary for the protection of the business interests of the parties, impose improper, inordinate, excessive or oppressive restrictions upon that competition the benefit of which is the right of every one." (2)

Mr. Justice Duff, in the same leading case, decided in 1912, clearly stated that the point is not "whether or not the term of the agreement providing for the fixing of prices was reasonably necessary for the protection of the interests of the parties...." He concluded his reasons for judgment by saying:

"I have no hesitation in holding that as a rule an agreement having for one of its direct and governing objects the establishment of a virtual monopoly in the trade in an important article of commerce throughout a considerable extent of territory by suppressing competition in that trade, comes under the ban of the enactment."

According to these judgments, it was not a matter of the Courts determining whether the particular prices charged were unreasonably high or whether profits were excessive; the question was whether competition had been lessened unduly. In the *Weidman* case profits had increased, had in fact nearly doubled. But this was not the determining consideration, as Mr. Justice Idington pointed out:

"Their purpose was so clearly obnoxious to the Act it would matter not even if increased profits had not been reaped. The legal result ought to be the same."

To this consideration Mr. Justice Anglin added:

"Of course it would be to their mutual interest to place these prices [i.e., the prices at which they bought] as low as practicable, yet not to put them so low nor to raise their sale prices so high that the margin of profit would invite the invasion of their field by really formidable rivals."

Clearly, also, the existence of potential competition was not regarded as an adequate protection of the public interest.

One of the principal members of the present combination of coal importers has submitted for consideration a recent decision of the United States Supreme Court, delivered on March 13, 1933, (3) in which the Court rules that a central selling agency which 137 producers of bituminous coal in the Appalachian area propose to establish is not in violation of the Sherman Anti-Trust Law. Fundamental differences exist between the practices which are considered in the present report and the methods which the combination in the Appalachian Coal case proposed to adopt. The Sherman Anti-Trust Law of the United States as it has been interpreted by the courts in the light of what is called "the

(1) *Stinson Reeb Builders Supply Co. et al, v. The King*, 1929 Can. S. C. R. 276, at 280.

(2) *Weidman v. Shragge*, (1912) 46 Can. S. C. R., at 42-43.

(3) *Appalachian Coals Inc., et al, v. United States*, 228 U.S. 344.

rule of reason" does not differ greatly from our own legislation. The decisions establish that

"only such contracts and combinations are within the act as, by reason of intent or the inherent nature of the contemplated acts, prejudice the public interests by unduly restricting competition or unduly obstructing the course of trade." (1)

In another judgment it is declared that

"the legality of an agreement or regulation cannot be determined by so simple a test, as whether it restrains competition. Every agreement concerning trade, every regulation of trade, restrains." (2)

Both of these quotations appear in the United States Supreme Court's decision to which this member of the present combination has referred. In the United States case the defendants mined fifty-four per cent of the production in the Appalachian territory, but their output was only twelve per cent of the total production of bituminous coal east of the Mississippi River. The joint selling arrangement would have the effect of eliminating sales competition amongst the members of this particular group, but the Court found that "the plan cannot be said either to contemplate or involve the fixing of market prices". The judgment proceeded to quote from the Trenton Potteries decision of 1927. (3). Those defendants, it said,

"who controlled 82 per cent of the business of manufacturing and distributing vitreous pottery in the United States, had combined to fix prices. It was found that they had the power to do this and had exercised it. The defence that the prices were reasonable was overruled, as the Court held that the power to fix prices involved 'power to control the market and to fix arbitrary and unreasonable prices', and that in such a case the difference between legal and illegal conduct could not 'depend upon so uncertain a test' as whether the prices actually fixed were reasonable, a determination which could 'be satisfactorily made only after a complete survey of our economic organization and a choice between rival philosophies'."

Another quotation from the Trenton Potteries case, not included in the Appalachian judgment, develops the same point:

"The reasonable price fixed today may through economic and business changes become the unreasonable price of tomorrow. Once established, it may be maintained unchanged because of the absence of competition secured by the agreement for a price reasonable when fixed. Agreements which create such potential power may well be held to be in themselves unreasonable or unlawful restraints, without the necessity of minute inquiry whether a particular price is reasonable or unreasonable as fixed and without placing on the Government in enforcing the Sherman Law the burden of ascertaining from day to day whether it has become unreasonable through the mere variation of economic conditions."

It has not been the practice of the Canadian courts, nor of governments except under extraordinary circumstances, to attempt to regulate commodity prices or to pass upon their reasonableness or unreasonableness. That is a function, as Chief Justice Fitzpatrick stated in the Weidman case, which Parliament assumed would be better performed by price competition:

"Parliament has not sought to regulate the prices of commodities to the consumer, but it is the policy of the law to encourage trade and commerce and Parliament has declared illegal all agreements and combinations entered into for the purpose of limiting the activities of individuals for the promotion of trade; and preventing or lessening unduly that competition which is the life of trade and the only effective regulator of prices is prohibited."

The same views have been voiced by the courts since the Weidman case as they were before it. Mr. Justice Raney in the Toronto electrical contractors case in 1932 recognized that

"Even with the assistance of the association it appeared from evidence for the defence that sometimes it transpired after the work had been done that there was no

(1) *Nash v. United States*, 229 U.S. 373,376.

(2) *Chicago Board of Trade v. United States*, 246 U.S. 231,238.

(3) *United States v. Trenton Potteries Company*, 273 U.S. 392.

profit, and sometimes that it had been done at a loss. Elaborate statements were submitted to prove that under this system of averaging of proposed tenders or prime costs, there was no enhancement of price and therefore no detriment, but rather a benefit, to the interest of the public.

"...But the system adopted by the Electrical Estimators Association is not to be judged by its accidents, but by its tendency—not by the circumstances that sometimes the members of the Association made no profit, or sometimes made too much, but by what the thing was in essence that the defendants were seeking to accomplish. That thing was prevention or lessening of competition.

"...Our economic system, as recognized by our laws, is individualistic and competitive, and the Parliament of Canada has said that it is a criminal offence to be a party or privy to or to knowingly assist in the formation or operation of a combine which is, or is likely to be, a detriment to the public interest, and which results from an agreement designed to have the effect of preventing or lessening of competition. The lessening of competition was necessarily incidental to the scheme of the defendants, and in my view, apart altogether from its effect on prices, that scheme was, in the language of Section 2 of the Combines Investigation Act, 'likely to operate to the detriment or against the interest of the public.'"

In another part of the judgment in the same case the Court said:

"Combines may take many forms. One form, and perhaps one of the most pernicious, is the 'gentlemen's agreement,' by which all persons of the ring or combine agree to fix a standard price by which all must abide."

To repeat, it is not necessary to prove that the particular prices agreed upon are unreasonably high or that the intentions of the parties were merely to fix fair and reasonable prices. In the electrical contractors' judgment it was declared emphatically that "it is no answer that the motives of the defendants were to tender at a fair price, fair equally to the public as to themselves."

The fixing of common prices was the chief issue in the case of the Alberta Retail Lumber Dealers Association in 1907, but in his judgment Chief Justice Sifton made it clear that his conviction of the members was based not upon the particular prices which they had agreed upon but upon their action in unduly lessening competition. He said:

"The question does not necessarily arise as to whether the price of lumber has been lowered or raised in the province of Alberta. That does not contain the essence of the crime that is made by the statute in connection with this case. As I understand it, the essence of that crime is that men should agree to do something that would unduly prevent competition. In my estimation you can unduly prevent competition without raising the price of lumber." (1)

A further note referring to activities of a combination which affect suppliers in another country may be quoted, in view of operations of this nature which have been found to have been carried on by the present combination of Canadian importers of British anthracite coal. On this point Mr. Justice Osler, in *The King v. Elliott*, a prosecution of a president of the Ontario Coal Association in 1905 under section 498 of the Criminal Code, stated:

"It was contended that the combination was not within the statute because it affected only the supply at the source in a foreign country, but that is not its whole scope or limit by any means. It strikes at competition in this country in the supply and sale of coal here, and it is immaterial that it affects the conduct of the foreign vendor also when that has reference to and affects persons resident here."

(1) *The King v. Clarke*, 1 Alta. L.R. 358, at 365.

XVIII.—CONCLUSION

The present investigation has been made, in accordance with the direction of the Minister of Labour, "into an alleged combine in the importation and distribution of British anthracite coal in Canada, and into all such matters, whether of fact or of law, with respect to the said alleged combine as you shall consider necessary to inquire into with the view of determining whether such a combine exists or is being formed."

In the foregoing pages, two series of facts have been presented, showing tendencies in different directions. On the one hand, the Canadian importers of Welsh and Scotch anthracite coal have participated with British exporting companies in bringing into Canada a fuel which has entered into active competition with American anthracite and has secured the major portion of markets which in earlier years had to rely almost wholly on the Pennsylvania mines for their supplies. On the other hand, the same group of Canadian importers have lessened competition amongst themselves and from outside sources by entering into agreements to fix wholesale prices of Welsh and Scotch coal, to prevent other exporters and importers engaging in this trade, and to prevent other fuels such as European anthracite and British coke from competing in the Canadian market.

It was not suggested when the inquiry was instituted, nor has it been suggested since, that any agreement regarding prices existed between the American anthracite producers and the Canadian importers of British anthracite coal. At most it was suggested at the outset that the Canadian importers of Welsh anthracite had agreed on prices, or that the importers of Welsh and Scotch coal had been working together to this end. The question was not to determine whether a far-reaching combine had secured control over the prices of all anthracite sold in Canada. Nothing has been found in the inquiry to indicate that there is any such arrangement or that the wholesale price of American and British coals in Canada has been a subject even of discussion between the Canadian importers and the American line companies. Discussions there have been, with the American wholesale trade in Canada, regarding the retail prices of all three fuels, but the evidence does not show that the two groups have come to any agreement on retail prices; it shows, rather, that there is keen competition between these two fuels. As far as wholesale prices of American anthracite are concerned, they are not determined in Canada; this country takes only about five per cent of the entire output, and the wholesale prices for Canada, as for every other market on the continent, are the f.o.b. mine prices plus freight to destination, with the addition, in the case of Canada, of the customs and excise duty. These are the prices quoted by the American wholesaler in Canada; his return comes as a discount off the mine prices. The very rigidity of these prices is a factor which must be taken into account in considering American as a price competitor of British anthracite. Cognizance must be taken also of the elements of combination, if not of virtual monopoly, which are apparent in the marketing of Pennsylvania coal. Certainly the mine prices of the large anthracite producing companies in the United States do not reflect competitive conditions: they are the same at all mines and in all markets, and when price changes are made they are announced simultaneously, following, we have been informed, conferences of representatives of all the line companies.

The activities of the Canadian importers of British Coal which it is alleged amount to contravention of the Combines Investigation Act have been shown in this report against a background which outlines the great benefit which has

accrued to Canada through the entry of these coals into this market. It should be made clear, however, that the method of determining whether or not the Act has been contravened does not consist in balancing the virtues of the combination against its possible transgressions of this particular statute, unless these virtues have a vital bearing upon the offences which are created by the statute. As Mr. Justice Sedgewick said in a charge to a jury in a recent case under the Combines Investigation Act, "However good their main objects were, they are not entitled to carry out their objects by breaking the law." When the distribution of Welsh coal in Canada began to take on the aspect of a large-scale operation, in 1929, a powerful combination was established in Canada. Combination of itself, even large-scale combination, is not an offence under the Combines Investigation Act. What the combination does in the way of restraining trade and lessening competition, and how these activities affect or are likely to affect the public, these are the tests of illegality. The primary function of the Welsh combination was the importation of Welsh coal, a very desirable activity, in the interests of all the parties concerned—the Canadian public as well as the Montreal importers and the British exporters. But its bringing of a desirable and competing product into the Canadian market does not render the importers immune from the Canadian laws relating to restraint of trade. Specifically it does not justify them in having made agreements to fix common wholesale prices and in having combined to suppress the competition of other importers, independent exporters, and alternative fuels because of the disturbing effect which such competition would have upon the prices so fixed.

The immediate effect upon prices and profits is one important consideration, though not by any means the governing consideration, which should be weighed in such an inquiry as has just been completed. An extensive record of prices in recent years in Quebec, Montreal, Ottawa and Toronto has been included in the body of the report. In the price data for Montreal it is shown that retail prices of Welsh and Scotch cobbles have declined from \$17 in 1929 to \$14.50 this past winter; wholesale prices from \$13 to \$12, or \$11.75 with the cash discount. While the retail price has been reduced, none of the reduction, it appears, has come out of the gross margin or out of the net profits of the importers. It has resulted rather from the fall in the price of sterling and from a substantial reduction in the margins of the Montreal retailers; among whom there has been very active price competition. The margin of the importers, who have not been competing in price, has remained unimpaired. British buckwheat coal, which is sold now in approximately the same volume as the cobbles—the proportion is on the increase—has advanced in retail price in the same period from \$10 to \$10.25 per ton, the wholesale price has advanced from \$7.50 to \$7.75, from which a cash discount of 20 cents is now allowed. These are the retail and wholesale circular or list prices for both cobbles and buckwheat. But the evidence secured shows that in the absence of agreement amongst Montreal retailers (except for a two-months period in the summer of 1932 when retail prices of Welsh and Scotch buckwheat coal were agreed upon) the retail prices of \$14.50 for cobbles and \$10.25 for buckwheat have been subject to very material reductions; whereas wholesale prices, which were fixed by common agreement, appear to have been maintained by the importers almost without break, the chief exceptions being made in their sales to each other, to their subsidiaries, and to other importers or potential importers. The general retail trade has had to pay the full list price.

The gross margins of the Canadian Import Company and of Montreal retailers during the past four years are shown in the following table. The cost to the importer is the c.i.f. price Montreal, that is, the cost of the coal in the vessel alongside dock. The margin of the importer includes unloading costs, excise taxes, harbour dues, handling and preparation of coal, degradation

losses, dock rentals, selling and administrative costs, provision for bad debts, as well as net profits. The margin of the Montreal retailer is the difference between the list selling price (which as stated is frequently much higher than he actually receives) and his cost per ton without taking account of the cash discount.

ANALYSIS OF MONTREAL RETAIL PRICES OF WELSH COAL

Based on List Prices

	Cobbles				Buckwheat No. 1			
	Winter Prices per net ton				Winter Prices per net ton			
	1929	1930	1931	1932	1929	1930	1931	1932
Cost to Canadian Import Co. (c.i.f. Montreal).....	\$8.64	\$8.86	\$8.32	\$7.33	\$5.47	\$5.90	\$5.74	\$5.15
Gross margin of Canadian Import Co.	4.36	4.14	4.63	4.67	2.03	2.10	2.26	2.60
Gross margin of Montreal retailer....	4.00	4.00	3.55	2.50	2.50	2.50	2.50	2.50
Selling price to consumer.....	17.00	17.00	16.50	14.50	10.00	10.50	10.50	10.25

This table brings out clearly the fact that the Montreal retailer's margin on Welsh cobbles has been substantially reduced; the reduction would be much greater if the calculation were made on the basis of the actual prices received by the retailer. Much of the reduction in retailers' margins in Montreal can be understood in the light of the changing character of retail distribution brought about by the retail delivery of coal direct from the docks, thereby lessening the yard and other expenses of the retailers. In the selling of buckwheat coal, retail price competition has been very much keener than in the selling of the larger sizes, and the actual margins of the dealers have been much less than is shown by the list prices. On the other hand, the margins of the importers have been maintained and indeed increased. The reductions from wholesale list prices have been few, and, as already indicated, most of them within their own wholesale group.

Particulars concerning net profits are shown in the statement prepared by the accountants engaged for the inquiry. They include the following details of profits made during 1932 by the Canadian Import Company and its two associated companies, the British Coal Corporation and the St. Lawrence Stevedoring Company, by the Scotch Anthracite Coal Company of Canada, and by the F. P. Weaver Coal Company at Toronto and Hamilton (1).

(1) The records for the operations of the Weaver Company in Montreal are not included, as this company acts only as a selling agency through British Coal Corporation and does not itself import the Welsh anthracite which it sells in Montreal. It does import directly for its Toronto business. The books of the company for 1929 were not examined. The Weaver Company's importing and distributing operations in Toronto and Hamilton, together with its wholesale operations in Montreal, show in 1930 a loss of 21c. per ton in 1931 a loss of 5c. per ton, and in 1932 a net profit of 16c. per ton.

—	Canadian Import Group Montreal	Canadian Import Group Quebec	Canadian Import Group Montreal and Quebec	Scotch Anthracite Coal Co.	F. P. Weaver Coal Company Toronto and Hamilton
Tonnage (net tons).....	471,888	119,348	591,236	242,653	121,899
Net Profits after Income Tax.....	\$ 310,442	\$ 57,491	\$ 367,933	\$ 147,124	\$ 41,846
Net Profits per ton.....	.62	.48	.59	.60	.34
Capital employed.....	1,056,000	300,000	1,386,000	715,633	116,712
Return on capital em- ployed.....	29.4%	17.4%	26.5%	20.5%	35.9%

In the four year period 1929 to 1932 the net profits per ton secured by these companies have been as follows:

—	1929	1930	1931	1932
	cts.	cts.	cts.	cts.
Canadian Import Group, Montreal.....	51	65	57	62
Canadian Import Group, Quebec.....	39	60	54	48
Canadian Import Group, Montreal and Quebec	49	64	57	59
Scotch Anthracite Coal Company.....	11	15	42	60
F. P. Weaver Coal Company, Toronto.....		46*	62	34
(1932 figures includes Hamilton)				

* Loss.

In the same period the return on capital employed after provision for income tax has been:

—	1929	1930	1931	1932
	%	%	%	%
Canadian Import Group, Montreal.....	36.0	33.5	20.3	29.4
Canadian Import Group, Quebec.....	15.2	17.8	15.8	17.4
Canadian Import Group, Montreal and Quebec.	30.5	29.8	19.5	26.5
Scotch Anthracite Coal Company.....	5.2	5.0	12.9	20.5
F. P. Weaver Coal Company, Toronto and Hamilton.....		(*)	40.9	35.9

(*) Net Loss.

Profits have thus been maintained or increased by these importing companies in connection with the distribution of an essential commodity during a period of widespread unemployment and declining or depleted incomes, when the prices of most other commodities have been subject to very substantial decline.

It should be noted that the net profits of the Canadian Import Company are shown after allowing for salaries to the three chief executive officers, on which salaries the accountants have made the following comment:

"In our opinion, having regard to the services rendered and salaries obtaining to-day, the remuneration as salaries to the three chief executive officers, viz., the President, the Manager at Quebec and the Manager at Montreal, to an appreciable extent would represent a distribution of profits rather than an expense of the business.

"The salaries of these officers during the year 1932 were \$27,000, \$40,000 and \$30,000 respectively, of which sums the amounts of \$13,470, \$19,620 and \$17,302 were charged to Welsh Anthracite Operations."

This is briefly the case regarding prices, margins and profits. A much more detailed statement on prices and margins is contained in the text of the report and on costs and profits in the accountants' reports in the Appendix. Public concern appears to have been centred chiefly on these points, but back of them are other and more vital considerations. It is not merely the immediate effect of combination on prices with which Canadian combines legislation is concerned. The courts, in their interpretation of this legislation, have made it abundantly clear that the prime test of illegality is not whether unreasonable or excessive prices or profits have been secured by the members of a combination. "Apart altogether from its effect on prices", Mr. Justice Raney said in a judgment only a year ago, the scheme of the defendants, which had effected a substantial lessening of competition though not a monopoly, was likely to operate to the detriment of the public and was therefore in violation of the statute. The late Chief Justice Anglin likewise discounted the profits and prices aspect in his judgment in *Weidman v. Shragge*, in 1912, when he said that in any event it would not be to the mutual interests of the members of a combination which had control of a situation "to raise their sale prices so high that the margin of profit would invite the invasion of their field by really formidable rivals". In the same case Mr. Justice Idington added that it would not matter "even if increased profits had not been reaped; the legal result ought to be the same". In an earlier Canadian case, Chief Justice Sifton in Alberta stressed the same point when he said: "The question does not necessarily arise as to whether the price of lumber has been lowered or raised... the essence of that crime is that men should agree to do something that would unduly prevent competition. In my estimation you can unduly prevent competition without raising the price of lumber."

The question at issue is not whether the joint activities of the Montreal importers in limiting competition were of advantage to the importers; unquestionably they were. Nor is it to decide whether they were necessary in their business interests. Quite as decidedly they were not, for the importation and distribution of British coal could have been carried on successfully without the fixing of wholesale prices and without the restrictions upon other competition which were imposed. The matter of paramount concern under this legislation is not the advantage or necessity of the industry concerned: it is the actual or probable effect upon the public. This is but paraphrasing the opinion which was expressed by the late Chief Justice Anglin, in *Weidman v. Shragge*:

"The prime question certainly must be, does it [the agreement alleged to be obnoxious to Section 498], however advantageous or even necessary for the protection of the business interests of the parties, impose improper, inordinate, excessive or oppressive restrictions upon that competition the benefit of which is the right of every one."

It becomes a matter of opinion, therefore, ultimately the opinion of the judiciary in each case coming before the courts, whether the particular restrictions are "improper, inordinate, excessive or oppressive" whether there has been undue lessening of competition as provided against by the Criminal Code; or whether, as under the Combines Investigation Act, arrangements to lessen competition or substantially control the trade in any particular area have operated or are likely to operate against the public interest.

The particular restrictions imposed by the present combination have been set forth in the body of this report. Reference is made there to the basic agreements of 1929 and 1930 whereby the Canadian Import Company and F. P. Weaver Coal Company agreed to act as joint distributors of the coal supplied from Wales by Amalgamated Anthracite Collieries, Limited. These two Montreal companies imported 75 per cent of the Welsh coal sold in the Montreal market in 1929, and 80 per cent in 1930. Under the 1929 agreement they undertook to sell Welsh coal at the same prices and not to deal in any other anthra-

cite coal except under certain stated conditions. One of these conditions was that the Weaver Company, which had control of the distribution of Russian anthracite in Canada, should not sell Russian coal in the four cities of Quebec, Montreal, Ottawa and Toronto. These were the chief centres in which Welsh coal was being sold. Without referring further to the restrictions imposed by these basic agreements, the following summary includes the chief activities in which the Canadian Import Company and the F. P. Weaver Coal Company—and, at a later stage, Hartt and Adair and the Scotch Anthracite Coal Company—engaged for the purpose of lessening competition:

1. Efforts of the Import Company and the Weaver Company designed to prevent independent exporters from securing supplies of Welsh anthracite for shipment to independent importers in Canada.

2. Agreements by the four principal importers of Welsh and Scotch coal to establish common wholesale prices.

3. Agreement in 1930 by the four principal importers whereby the Weaver Company undertook to raise the price of Russian coal to the level of Welsh prices and, in return, the other three importers agreed to purchase from the Weaver Company 60,000 tons of Russian per year; the purpose being to keep this quantity from getting into the hands of competitors with the possibility of disturbing the prices established for British coal.

4. Acquisition in 1932, by Hon. L. C. Webster, President of the Canadian Import Company, of a controlling interest in F. P. Weaver Coal Company, Limited, the second largest wholesale distributor of British anthracite.

5. Agreement, in March, 1932, by the four principal importers and also Mongeau and Robert, not to import German buckwheat coal.

6. Agreement, on May 18, 1932, which lasted only two months, between the four principal importers and also Mongeau and Robert, on the one hand, and certain retail coal dealers in Montreal, members of the Montreal Coal Association, on the other hand, to fix and maintain the retail price of Welsh and Scotch buckwheat coal; the penalty for infringement being the withholding of further supplies of buckwheat sizes.

7. Agreement, in July, 1932, of the four principal importers and also the Elias Rogers Company and Mongeau and Robert, with the Montreal Coke and Manufacturing Company, not to import any British coke during 1932, nor to discharge it for any other dealers, and not to sell coke to dealers below the regular wholesale price of \$9.00 per ton. In return the Montreal Coke and Manufacturing Company gave to these importers a special price of \$7.50 per ton. Notwithstanding this reduction, the retail price remained unchanged at \$12.00 and \$12.50.

The importers have claimed that the arrangements which have been made for the control of the British anthracite trade in Canada constitute a desirable system of orderly marketing which should be encouraged, and that they are necessary to enable them to meet American competition. Their attitude on this point is indicated in the following statement in a brief submitted by Mr. L. G. Mickles, president of the Weaver Coal Company:—

"It has been shown that there are two major exporters of coal from Wales, with some thirteen or more importers of that coal into Canada. While they all act independently of each other, we concede that in Montreal there have been meetings of the various importers brought together through an association created by American coal distributing interests before Welsh coal entered the Canadian market; that the meetings of these importers were not for the purpose of (1) Combine, (2) Enhancing price to consumer, (3) Restraining trade.

"The purpose of these meetings was to discuss the best policies to pursue to successfully market Welsh coal in competition with (1) American anthracite, (2) Other foreign fuels, (3) Fuel oil, (4) Coke, (5) American bituminous prepared in domestic sizes.

"1. To take such concentrated actions as would best protect the interests of consumers against mixing of semi-anthracite coals with Welsh, sales of other coals under the guise of Welsh, and other abuses;

"2. To follow as closely as possible the practice and policies requested by retail distributors, most especially a universal price set in the spring, with forecast in advance of changes to be made effective throughout summer and fall, thereby enabling retailers to quote a stated price to consumers;

"3. To combat total disruption to retail dealers' business throughout the territory served, by making it difficult for other than retail dealers to purchase in carload quantities;

"4. Counter measures to be resorted to (as unanimously as possible) to offset the activities of American anthracite coal distributors in their (a) Sales policies (b) Terms to dealers, (c) Advertising program such as newspaper display, radio, etc., (d) Service activities through their association incorporated under the name American Institute (an organization of which all were members functioning to advance the interest of American anthracite in *all* respects)."

The competition of American anthracite is undoubtedly the big factor which British anthracite coal has to meet in the Montreal market. As already stated, American anthracite is sold in Montreal, as elsewhere, at prices based directly upon common prices fixed in the United States. The manner in which they are fixed is not subject to the jurisdiction of our legislation, and whether those prices are reasonable or unreasonable is not within the scope of this inquiry. But the action of the principal importers of British anthracite in preventing or lessening the competition of other fuels has led to a situation where these common prices fixed in the United States constitute practically the only check on British anthracite prices in Montreal. This is confirmed by the evidence, which shows that the prices fixed by the importers are invariably fixed or determined after the American prices have been announced.

Concentration of control in the hands of a combination, secured by the elimination or limitation of competition, may result in reduced costs of doing business. There is a possibility also that the public will share in the benefits of the economies effected; but that is a matter in the hands of the controlling group. There is the more serious possibility, if not the likelihood, that the public will not share in any such benefits, and will not have the protection against monopoly prices which is provided only by active price competition. An indication whether the public is likely to be compensated for the sacrifice of control-by-competition, as far as the present combination is concerned, is seen in the action of the Montreal importers in connection with the coke agreement during this past season. A special reduction of \$1.50 per ton in the price of Canadian coke was secured by them last year in return for undertakings not to import British coke, and their costs were thus brought down from \$9.00 to \$7.50 per ton; yet their wholesale and retail prices remained unchanged, most of the coke being sold, as before, at the established retail prices of \$12.00 and \$12.50 per ton. Had there been any effective price competition operating, these reductions in cost would have been reflected in lower retail prices, more Canadian coke would have been sold, and consequently more Nova Scotia bituminous coal used. Prices of anthracite coal would have been affected, however, and that appears to have been a serious if not a governing consideration in the minds of the importers. They favoured stability of their anthracite prices, stability of prices at levels which they themselves had established and at a time when consumers' incomes had reached the lowest levels in the whole depression period.

Once the members of such a combination have secured amongst themselves agreement on prices and have gained the power to minimize the interference of outside competition, the really effective check on prices is gone. One of the Welsh exporters brought out this point effectively, in writing to a Montreal importer, when he said that "now you have 100 per cent of the Welsh coal business in your two hands, you should be able to get the utmost price out of

the coal." This appears to have been the idea of the Montreal importers; certainly their concentration of control has given them power to maintain their wholesale prices and their profits, a power which they have exercised. The attitude of the Canadian Import Company toward the effect of competition was similarly expressed by Senator Webster: "I realize that we must be prepared for this competition, but if it can be avoided, naturally it builds up a better market and prices for all concerned." Had the competition which the importing companies suppressed been permitted to operate freely, wholesale prices of Welsh and Scotch coal would, in my opinion, have been materially reduced. That reduction would have been met, as the Montreal retailers have met the enforced reductions in their retail prices, and as other businesses and individuals have met their similar situations in the past three years, by a curtailment of costs and profits. But no such competitive pressure has compelled reductions in the costs and profits of the Montreal importers. It is not therefore merely a matter of particular prices and profits; nor is it the responsibility of a government department or of the courts, under present law at least, to constantly check and pass upon the particular costs, prices and profits of industrial or trade combinations and to say what prices and profits should prevail. No provision has been made by the Canadian Parliament for administrative supervision or control of this kind. There is this underlying and vital question at issue, whether ultimate control of prices and profits is to be in the hands of the combination itself, or whether price competition, or some other system approved by the state in the public interest, is to operate as a necessary public safeguard.

Competition in Welsh coal has not been completely eliminated. Some independent importers have been able to get limited supplies; but usually efforts have been made, in most instances by the Canadian Import Company, either to have such supplies cut off at their source, or, failing this, to secure the "price co-operation" of the importer. On more than one occasion the method used has been to buy up the tonnage imported and resell it at prices which would not disturb the existing price structure. In one case efforts were made to prevent the Lane Company, an independent English exporting company with an agency in Canada, from securing dock space at the city of Quebec; the efforts, as it happened, were unsuccessful. The competition of this company has had some little effect in Montreal and Quebec during the 1932 season. Its sources of supply, however, have been very limited, so limited that Sir Alfred Cope advised the Import Company in July last that it "would appear most undesirable as well as throwing money away to reduce prices on your substantial quantities for purpose of meeting Lane's lower prices on comparatively insignificant quantity."

There appears to be little likelihood, either, of active price competition developing from the Scotch anthracite organization, which is not under the same control as the Welsh in the United Kingdom. The Scotch Anthracite Coal Company of Canada has been a party to the wholesale price agreements in Montreal. One reason given by that company for not entering into aggressive price competition is that this would be against its own best business interests. All the coal which the Scottish collieries can furnish to this market is being sold by the Canadian company at the same prices as Welsh coal; hence the Scotch Coal Company, it was represented, would not be benefited in any way by a lowering of the price. Counsel for the company argued that, since their supply is limited, it would hardly reflect the best business judgment to use this particular method of encouraging demand much beyond these limits. Under the Combines Investigation Act there would be no case against the Scotch Anthracite Company for merely refraining from competing in price; but there is a case when it enters into agreement with others to maintain common prices and to take the steps which have been taken to eliminate other competition.

It is no sufficient answer to say that the arrangement which the Montreal importers have made are but the natural development of the combinations existing in the United Kingdom, where amalgamations of coal producers have been encouraged by the state. Apparently the British Parliament has endorsed and even enforced a scheme of government-controlled rationalization in the British coal mining industry, looking to the amalgamation of collieries, the fixing of minimum prices, and restrictions upon output. We have not made extensive inquiries to ascertain what these arrangements are or what their effects have been upon the industry and upon the public of the United Kingdom; they result from the action of another government on behalf of one of its basic industries. It is assumed that the British Parliament, having imposed such restrictions, has either satisfied itself that the competition of other fuels will provide an adequate public safeguard as far as the British public is concerned, or has established machinery to prevent monopoly control from operating to the disadvantage of other interests, particularly the interests of British consumers.

Because the state in certain circumstances exercises its rights to take a particular course in the public interest, it does not follow that a combination within the state may take a similar course under any conditions in its own private interests. In discussing the agreements which were made by the Montreal group to control the distribution and prices of Russian coal, counsel for the Import Company contended that it could not be such a serious offence for the Montreal importers to enter into agreements to prevent this coal from becoming an active competitor, since shortly afterwards Parliament did the same thing by placing a complete embargo on Russian anthracite. It is one thing for government, representing as it does all sections of the public, to take such a course, and to take it publicly, and quite another matter for an industry to take the law into its own hands and enter into arrangements, about which the public knows nothing, and is likely to know nothing, which are designed to protect the members of the combination by preventing normal competition. In Canada no such concentration of control as has been established in England has been urged or authorized by Parliament, certainly not in connection with the distribution of anthracite coal, and, as already stated, no regulative machinery has been set up. Canadian legislation has looked rather to the preservation of price competition as a public safeguard by providing against agreements to prevent or lessen competition unduly or against the public interest. Price competition undoubtedly has its disadvantages, more particularly to competitors, but monopoly and price-fixing agreements have their disadvantages, more particularly to consumers. Our legislation in Canada has been favourable to competition and apprehensive of monopoly. But until Parliament decides upon a different course, and substitutes for price competition some other adequate method of safeguarding the public interest, agreements which go as far as these agreements have in the way of fixing common prices and lessening competition should not, in my opinion, be sanctioned under the Combines Investigation Act.

When the evidence on the activities of this combination of Montreal coal importers is reviewed, the conclusion appears to be inescapable that their arrangements and agreements have been designed to effect and have effected a lessening of competition which is against the public interest. It is my opinion that the evidence obtained in this inquiry and summarized in the foregoing pages discloses that in connection with the importation and wholesale distribution of Welsh and Scotch anthracite coal in Canada, a combination has operated and if its control continues is likely further to operate to the detriment or against the interest of the public; and that the companies which have been parties to this combine or have knowingly assisted in its formation or operation, are:

The Canadian Import Company, Limited, and its associated companies,
the St. Lawrence Stevedoring Company, Limited, and the British
Coal Corporation, Limited,

The F. P. Weaver Coal Company, Limited,
Hartt and Adair Coal Company, Limited,
The Scotch Anthracite Coal Company, Limited.

In addition, Mongeau and Robert Company, Limited, have participated in certain agreements which have unduly lessened competition, as indicated in the report, and in these respects have acted in contravention of the statute.

It is my further opinion that the companies named in the last preceding paragraph, together with the Montreal Coke and Manufacturing Company, Limited, and the Elias Rogers Company, Limited, have been parties to an agreement relating to the importation and distribution of coke as described in Section XII of this report, and in this respect have been, for the reasons therein stated, parties to a related combine which has operated to the detriment of the public.

All of which is respectfully submitted.

F. A. McGREGOR

Registrar, Combines Investigation Act

APPENDIX 1
REPORTS OF ACCOUNTANTS
(NOT PRINTED)

APPENDIX 2

WORK SHEETS

DISTRIBUTION OF CONSUMER'S COST OF WELSH COBBLES

A.—BASIC DATA

Prices of Welsh coals as bought and sold by leading Montreal importer in 1932 at exchange rates applying for the whole season, viz., \$4.11½ to the £; also costs of services involved in the movement from Wales to the consumer.

1. Prices, c.i.f. Montreal, f.o.b. Swansea, f.o.b. mines; and freight charges:

	Per long ton		Per short ton at par of Exchange	Per short ton at \$4.11½ to the £
	s.	d.	\$	\$
(a) <i>Cobbles</i> :				
Price, c.i.f. Montreal.....	40	0	8.69	7.33
Freight Swansea to Montreal.....	7	0	1.52	1.285
Price f.o.b. vessel at Swansea.....	33	0	7.17	6.045
Charges, mines to vessel.....	2	10½	.56	.528
Price at mines.....	30	1½	6.61	5.517
(b) <i>Buckwheats (Peas and Grains)</i> :				
Price, c.i.f. Montreal.....	27	1½	5.89	4.98
Freight Swansea to Montreal.....	7	0	1.52	1.28
Price f.o.b. vessel at Swansea.....	20	1½	4.37	3.70
Charges mines to vessel.....	2	10½	.56	.528
Price at mines.....	17	3	3.81	3.172
(c) <i>Screenings, Price c.i.f. Montreal.....</i>				2.00

2. Cash wholesale prices at Montreal:

Cobbles ex-dock for Montreal consumer.. . . .	\$ 11.75	per short ton.
Cobbles ex-terminals for Ottawa consumer.. . . .	11.60	" "
Buckwheats (mixture) ex-terminals for Ottawa consumer.. . . .	7.10	" "
Screenings: ex-terminals for Ottawa consumer.. . .	3.00	" "

3. Degradation on cobbles from Swansea to Montreal:

Output after screening at Montreal:

Cobbles.. . . .	75.12	per cent
Buckwheats.. . . .	3.33	"
Screenings.. . . .	20.44	"
Lost.. . . .	1.11	"

4. Degradation on Cobbles from Montreal to Ottawa:

Output after screening at Ottawa:

2,100 lbs. cobbles yield roughly.. . . .	2,000 lbs. cobbles
	40 lbs. buckwheats
	60 lbs. screenings

B. DISTRIBUTION OF MONTREAL CONSUMER'S COST OF 1 TON WELSH COBBLES

1. To deliver 2,000 lbs. of cobbles to the consumer the importer must buy at Swansea to allow for the 24·88 per cent degradation into fines and the shortage:		
$2,000 \times 100 =$		
<u>75·12</u>		
2,663 lbs. of cobbles, which when screened at Montreal yield—		
Cobbles.. . . .	2,000 lbs.	
Buckwheat.. . . .	89 "	
Screenings.. . . .	544 "	
Shortage.. . . .	30 "	
2. (a) Montreal importer buys 2,663 lbs. cobbles at Swansea at cobbles c.i.f. Montreal price of \$7·33 per short ton.. . . .		
		\$9·76
(b) Actual c.i.f. value of 633 lbs. fines received and which might be considered as primary imports is as follows:		
(i) 89 lbs. buckwheat at c.i.f. price of \$4·98 per short ton.. . . .		
		\$0·222
(ii) 544 lbs. screenings at c.i.f. price of \$2 per short ton.. . . .		
		\$0·544
Total c.i.f. value of Fines.. . . .		<u>\$0·766</u>
Actual net c.i.f. cost to the importer of the consumer's ton of cobbles.. . . .		
		\$8·994
3. Importer sells this ton of cobbles ex-dock to dealer for.. . . .		
		<u>\$11·75</u>
Importer's gross share of consumer's cost.. . . .		
which includes Excise Tax and Harbour Dues.		\$2·756
4. Excise Tax=3 per cent on value at mines of 2,662 lbs. cobbles less the excise tax on the 633 lbs. of fines.		
Where value of cobbles at parity of sterling as given in A.1(a)=\$6·61 per short ton and for buckwheats in A.1 (b)=\$3·81 per short ton,		
Net Excise Tax on consumer's ton of cobbles=		
26·4 cents—0·5 cents=25·9 cents.		
5. Harbour Dues.. . . . 9·0 cents.		
5(a). Deduction from importer's gross share of consumer's cost=Excise Tax+ Harbour dues=.. . . .		
		<u>\$0·349</u>
6. Importer's portion of consumer's cost.. . . .		
		\$2·407
7. Dealer's share or portion is the difference between wholesale (ex-dock) and retail prices (since he has no losses in degradation to pass back to the exporter)=\$14·50—		
\$11·75=.. . . .		<u>\$2·75</u>
8. The exporter receives \$8·994 [2 (b)] but must pay the vessel owner and the charges from mines to vessel for a ton plus the 1·11 per cent of a ton lost en route.. . . .		
		\$8·994
9. Vessel owner therefore receives \$1·285 [2 (a)]+1·11 per cent of \$1·285=.. . . .		
		\$1·299
10. Charges from Welsh mines to vessel \$0·528 [2 (a)]+1·11 per cent of \$·528=.. . . .		
		<u>\$0·534</u>
11. Total freight and other charges from Welsh mines to Montreal.. . . .		
		<u>\$1·833</u>
12. Welsh exporter shares with the Welsh mine owners.. . . .		
		<u>\$7·161</u>

SUMMARY OF DISTRIBUTION OF MONTREAL CONSUMER'S COST OF
ONE TON OF WELSH COBBLES:

(a) Welsh exporter and mine owner (12)	\$7·161	
(b) Railways, docks, and other agencies landing the coal from Welsh mine to vessel (10)	·534	
(c) Ship owner—vessel-freight Swansea to Montreal (9) .. .	1·299	
	<hr/>	
Sent Out of Canada		8·994
(d) Excise Tax (4)	·259	
(e) Harbour Dues, Montreal (5)	·090	
(f) Importer at Montreal—Inspection of Coal, Unloading, Screening, Preparation and Handling, Storage, Selling Expense, Administration Expense, Federal and Pro- vincial Income Taxes, Net Profit, Total (6)	2·407	
(g) Dealer in Montreal—Cartage, Overhead, Selling, Net Profit, Total (7)	2·750	
	<hr/>	
Kept in Canada		5·506
		<hr/>
Total		\$14·500

C. DISTRIBUTION OF THE OTTAWA CONSUMER'S COST OF 1 TON OF WELSH COBBLES

1. The degradation on one ton of Welsh cobbles between Montreal and the Ottawa retailer's truck for delivery is roughly 100 lbs.—40 lbs. being buckwheats and 60 lbs. screenings.

2. For this determination it is assumed that the Ottawa dealer has to buy 2,100 lbs. of cobbles at Montreal to supply his customer with 2,000 lbs. In effect the dealer pays the importer for 2,100 lbs. of cobbles and finds that he is shipped 100 lbs. of fines which he could have bought more cheaply as fines. His net cost of the ton of cobbles delivered to his customer will be the total cost of 2,100 lbs. at cobbles prices and freight rates less the delivered cost of the fines at regular wholesale prices f.o.b. cars at Montreal with freight charges for fines.

Thus: Gross cost of 2,100 lbs. cobbles=1.05 tons at 10.60 (Montreal out-of-town cash wholesale price).....	12.180
Freight to Ottawa 1.05 tons at 1.50 per ton.....	1.575
	<hr/> 13.755

3. Delivered value of 100 lbs. of fines (to dealer):

(a) 40 lbs. of buckwheats at 7.10 per ton.....	\$0.142
(b) 60 lbs. of screenings at 3.00 per ton.....	0.090
(c) Freight on 100 lbs. of fines at 1.30 per ton.....	0.065

Value of fines alongside Ottawa dealer's yard.....	<hr/> 0.297
--	-------------

4. Net cost to Ottawa dealer of the consumer's ton of cobbles..... 13.458

5. Retail Price—or Consumer's Cost..... 16.750

6. Dealer's share of Consumer's Cost..... 3.292

7. Railway share—gross..... 1.575

Less freight on fines—3 (c)..... .065

Net..... 1.510

8. Montreal importer's gross receipts—

1.05 tons at 11.60..... 12.18

Wholesale value of 100 lbs. fines [3 (a)+3 (b)]..... .232

Importer's net receipts from sale of consumer's ton of cobbles... 11.948

9. Montreal importer buys from Welsh exporter at Swansea the quantity of cobbles which when screened at Montreal will yield the 2100 lbs. of cobbles required to supply the 2000 lbs. at Ottawa.

$$\frac{2000 \times 100}{75.12} = 2,796 \text{ lbs.}$$

Fines formed	Buck- wheats	Screen- ings	Lost
Swansea to Montreal...	93	572	31
Montreal to Ottawa....	40	60	0
Total.....	<hr/> 133	<hr/> 632	<hr/> 31

10. Montreal importer's gross cost c.i.f. Montreal 2796 lbs. cobbles at \$7.33 per short ton..... 10.247

11. Montreal importer's net cost of 2000 lbs. of cobbles delivered at Ottawa=gross cost (10) less c.i.f. value of fines, as follows:—	
133 lbs. buckwheats at 4.98 per short ton.....	0.332
632 " screenings at 2.00 " " "	0.632
Total.....	0.964
Net c.i.f. cost of 2000 lbs. cobbles as delivered to Ottawa consumer.....	\$9.283
12. Net Excise Tax=excise tax on 2796 lbs. cobbles less excise tax on 765 lbs. of fines.	
3% of value of cobbles f.o.b. mines—at parity of sterling	
A. 1 (a) 2796 lbs. at 6.61=3% of $\frac{2796 \times 661}{2000}$	0.277
3% of value A. 1 (b) f.o.b. mines of 133 lbs. of buckwheats	
—3% of $\frac{133 \times 3.81}{2000}$	0.008
Value of screenings at mines, negligible for excise tax purposes.....	
Net Excise tax on consumer's ton of Cobbles.....	0.269
13. Importer's c.i.f. cost of consumer's ton of cobbles.....	9.283
Excise Tax " " .....	.269
Harbour dues " " .....	.090
Total.....	9.642
Importer's net receipts from sale of consumer's ton of cobbles (8).	11.948
Importer's share of consumer's cost.....	2.306
14. Exporter receives for consumer's ton of cobbles (from which he pays ship owner for vessel freight to Montreal, and the agencies moving the coal from mines to vessel in Wales, allowing extra charges to pay for the carriage of the coal required to make up coal shortages in transit) (See 11).....	
	9.283
15. Ship owner receives—vessel freight 7/0 per long ton, at \$4.11 $\frac{1}{4}$ to the £ [A. 1 (a)] $1.285 + 1.11\%$ of \$1.285=.....	1.299
16. Agencies moving coal to vessel from Welsh mines [See A. 1 (a)] at \$4.11 $\frac{1}{4}$ to the £—52.8 cents per short ton—which must be increased by 1.11%=53.4 cents, for the consumer's ton of cobbles..	0.534
17. Exporter retains for himself and the Welsh mine owner—9.283— (1.299 + 0.534) = 9.283 — 1.833 =.....	7.450

SUMMARY OF DISTRIBUTION OF OTTAWA CONSUMER'S COST OF 1 TON OF
WELSH COBBLES

(a) Welsh exporter and Mine owner (17).....	\$ 7.45
(b) Railways, dock companies and other agencies moving coal from mines to vessel at Swansea (16).....	.53
(c) Ship owner—vessel freight to Montreal (15).....	1.30
	<hr/>
Sent out of Canada.....	\$ 9.28
(d) Excise Taxes (12).....	.27
(e) Harbour Dues: Montreal (13).....	.09
(f) Montreal importer—	
Inspection, Unloading, Screening, Preparation and Handling, Storage, Selling Expense, Administration Expense, Federal and Provincial Income Taxes, Net Profit (13).....	2.31
(g) Railways, Montreal to Ottawa (7)	1.51
(h) Ottawa retailer—	
Unloading, Storage, Screening, Cartage, Selling, Net Profit, etc. (6).....	3.29
	<hr/>
Kept in Canada.....	7.47
	<hr/>
Total.....	\$ 16.75

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